A G E N D A

BOARD MEETING
SAN JOAQUIN COUNTY EMPLOYEES RETIREMENT ASSOCIATION
BOARD OF RETIREMENT
FRIDAY, SEPTEMBER 8, 2023
AT 9:00 AM
Location: SJCERA Board Room, 6 S. El Dorado Street, Suite 400, Stockton, California

The public may also attend the Board meeting live via Zoom by (1) clicking here https://us02web.zoom.us/j/81514381219 and following the prompts to enter your name and email, or (2) calling (669) 219-2599 or (669) 900-9128 and entering Meeting ID 81514381219#.

Persons who require disability-related accommodations should contact SJCERA at (209) 468 -9950 or ElainaP@sjcera.org at least forty-eight (48) hours prior to the scheduled meeting time.

1.0 ROLL CALL

2.0 PLEDGE OF ALLEGIANCE

3.0 MEETING MINUTES

3.01 Minutes for the Board Meeting of August 11, 2023 4

3.02 Board to consider and take possible action on minutes

4.0 PUBLIC COMMENT

4.01 The public is welcome to address the Board during this time on matters within the Board's jurisdiction, following the steps listed below. Speakers are limited to three minutes, and are expected to be civil and courteous. Public comment on items listed on the agenda may be heard at this time, or when the item is called, at the discretion of the Chair.

If joining via Zoom, Public Comment can be made in the following ways:

PC or Mac: select "Participants" in the toolbar at the bottom of your screen, then select the option to raise or lower your hand.

Mobile Device: select the "More" option in the toolbar at the bottom of your screen, then select the option to raise or lower your hand.

Tablet: select the icon labeled "Participants," typically located at the top right of your screen, then select the hand icon next to your device in the Participants column.

If dialing in from a phone for audio only, dial *9 to "raise your hand."

If attending in person, members of the public are encouraged to complete a Public Comment form, which can be found near the entry to the Board Room.

Except as otherwise permitted by the Ralph M. Brown Act (California Government Code Sections 54950 et seq.), no deliberation, discussion or action may be taken by the Board on items not listed on the agenda. Members of the Board may, but are not required to: (1) briefly respond to statements made or questions posed by persons addressing the Board; (2) ask a brief question for clarification; or (3) refer the matter to staff for further information.

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5.02 Board to consider and take possible action

6.0 LOOMIS SAYLES: FIXED INCOME MANAGER UPDATE

6.01 Presentation by Mirsada Durakovic and Stephanie Lord of Loomis Sayles 11

6.02 Board to receive and file report

7.0 INVESTMENT CONSULTANT REPORTS

7.01 Presented by David Sancewich of Meketa Investment Group

01 Quarterly Reports from Investment Consultant for period ended June 30, 2023

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02 Monthly Investment Performance Updates

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b Economic and Market Update - July 2023 117

03 Board to receive and file reports

8.0 2023 ANNUAL INVESTMENT ROUNDTABLE

8.01 Update for Investment Roundtable 135

8.02 Board to review, discuss and give direction to staff and consultant as appropriate

9.0 FACILITIES UPDATE 137

9.01 Board to receive and file report

10.0 STAFF REPORTS

10.01 Trustee and Executive Staff Travel

01 Conference and Events Schedule 2023 138

02 Summary of Pending Trustee and Executive Staff Travel 139

a Travel requiring approval (1)

03 Summary of Completed Trustee and Executive Staff Travel 140

10.02 Board to consider and take possible action on any new travel request

10.03 Legislative Report 141

10.04 CEO Report 144

10.05 Board to receive and file reports

11.0 REPORT OUT OF PRIOR CLOSED SESSION

11.01 On January 20, 2023, the Board voted unanimously to approve Resolution 2023-09-01 titled “Silver Point Specialty Credit Fund III” and to authorize the CEO to sign the necessary documents to invest up to $62 million in the fund.

12.0 CORRESPONDENCE

12.01 Letters Received (0)

12.02 Letters Sent (0)

12.03 Market Commentary/Newsletters/Articles

01 J.P. Morgan 152
The Paradox of Private Credit
July 31, 2023

02 Nossaman 168
SEC Adopts New Rules to Better Protect Institutional Investors in Private Funds
August 25, 2023

03 FundFire 171
SEC Adopts Sweeping Final Private Fund Disclosure Rule
August 24, 2023

04 MFS Investment Management 175
Fixed Income is Attractive, but Beware of “Fake” Yield
February 2023

05 MorningStar 179
Don’t Neglect Investments Outside the U.S.
June 2023

06 Pensions & Investments 191
MOVEit Cyperattack Ignites Worry about Fiduciary Responsibility
August 17, 2023

13.0 COMMENTS

13.01 Comments from the Board of Retirement

14.0 CALENDAR

14.01 Board Meeting October 11, 2023 at 9:00 a.m.

14.02 Special Meeting October 12, 2023 at 8:00 a.m.

14.03 Board Meeting November 3, 2023 at 9:00 a.m.

14.04 Board Meeting December 8, 2023 at 9:00 a.m.

15.0 ADJOURNMENT

M I N U T E S

BOARD MEETING
SAN JOAQUIN COUNTY EMPLOYEES RETIREMENT ASSOCIATION
BOARD OF RETIREMENT
FRIDAY, AUGUST 11, 2023
AT 9:00 AM
Location: SJCERA Board Room, 6 S. El Dorado Street, Suite 400, Stockton, California

1.0 ROLL CALL

1.01 **MEMBERS PRESENT:** Phonxay Keokham, Emily Nicholas, Jennifer Goodman, JC Weydert, Steve Ding, Michael Duffy (in at 9:02 a.m.), Steve Moore, Raymond McCray and Michael Restuccia presiding

MEMBERS ABSENT: Chanda Bassett

STAFF PRESENT: Chief Executive Officer Johanna Shick, Assistant Chief Executive Officer Brian McKelvey, Retirement Investment Officer Paris Ba, Management Analyst III Greg Frank, Information Systems Analyst II Lolo Garza, Information Systems Specialist II Jordan Regevig, Administrative Secretary Elaina Petersen, Communications Office Kendra Fenner, Retirement Technician Margarita Arce

OTHERS PRESENT: Counsel Ashley Dunning of Nossaman, David Sancewich, and Judy Chambers of Meketa, Graham Schmidt of Cheiron

2.0 PLEDGE OF ALLEGIANCE

2.01 Led by Steve Ding

3.0 MEETING MINUTES

3.01 Minutes for the Board Meeting of July 14, 2023

3.02 The Board voted unanimously (7-0) to approve the Minutes of the Board meeting of July 14, 2023 (Motion: Goodman; Second: Weydert)

4.0 PUBLIC COMMENT

4.01 There was no public comment

5.0 CONSENT ITEMS

5.01 Service Retirements (3)

5.02 The Board voted unanimously (8-0) to approve the consent items (Motion: Ding; Second: Nicholas)

6.0 INVESTMENT CONSULTANT REPORTS

6.01 Presented by David Sancewich of Meketa Investment Group

01 Monthly Investment Performance Updates

a Manager Performance Flash Report - June 2023

b Economic and Market Update - June 2023

02 The Board received and filed reports

7.0 2023 ANNUAL INVESTMENT ROUNDTABLE

7.01 Draft Investment Roundtable agenda

7.02 The Board received information regarding the Investment Roundtable

8.0 PRIVATE EQUITY PORTFOLIO REVIEW

8.01 Presented by Judy Chambers of Meketa Investment Group

01 Private Equity Program 4th Quarter 2022

02 2023 Private Equity Investment Plan

8.02 The Board received and filed the reports

9.0 STAFF REPORTS

9.01 Trustee and Executive Staff Travel

01 Conferences and Events Schedule 2023

02 Summary of Pending Trustee and Executive Staff Travel

03 Summary of Completed Trustee and Executive Staff Travel

9.02 The Board voted unanimously (8-0) to approve Retirement Investment Officer Paris Ba to attend the Stockridge Core and Value Advisors Annual Meeting in Atlanta, Georgia, September 11-13, 2023 (Motion: Weydert; Second: Keokham)

9.03 General Counsel Services

01 The Board voted unanimously (8-0) to approve the staff recommendation to classify the General Counsel position as an At-Will position in the Confidential Bargaining Unit (Motion: Weydert: Second: Goodman)

9.04 Legislative Report

9.05 CEO Report

In addition to her written report, CEO Shick reported the user acceptance testing on PRIME, the new pension administration system, is going well. Staff has been pleased with the system functionality, ease of use, and audit trail.

9.06 The Board received and filed reports

10.0 CORRESPONDENCE

10.01 Letters Received (0)

10.02 Letters Sent (0)

10.03 Market Commentary/Newsletters/Articles

01 PIMCO
Secular Outlook: The Aftershock Economy
June 2023

02 NCPERS
Monitor
July 2023

03 NCPERS
PERsist
Summer 2023

04 Research Affiliates
Inflation: Don’t Pop the Champagne (Yet)
August 2023

05 Wall Street Journal
Rising Rates Raise Questions for Pension Funds
July 25, 2023

06 NCPERS
The ESG Debate: How Recent Legislation is Impacting Retirement Fund Best Practices
July 7, 2023

07 Meketa
Lag Effect in Private Equity
July 2023

08 Meketa
Deglobalization
July 2023

09 NCPERS
Monitor
August 2023

11.0 COMMENTS

11.01 Trustee McCray thanked the Board for the 50th wedding anniversary card.

12.0 CLOSED SESSION

The Chair convened Closed Session at 10:26 a.m. and adjourned Closed Session and reconvened open session at 10:35 a.m.

12.01 Personnel Matters
California Government Code Section 54957
Employee Disability Retirement Application(s) (1)

01 Consent item

a Christopher Stiehr
Sergeant
Sheriff’s Department

The Board voted unanimously (8-0) to accept the findings of the Administrative Law Judge and deny the application for service-connected disability retirement. (Motion: Keokham; Second: Duffy)

13.0 REPORT OUT OF CLOSED SESSION

13.01 On May 5, 2023, the Board voted unanimously to approve Resolution 2023-08-01 titled “Ares Pathfinder Fund II” and to authorize the CEO to sign the necessary documents to invest $62.5 million in the fund.

13.02 SJCERA has dismissed its action entitled *San Joaquin County Employees’ Retirement Association v. Travelers Casualty and Surety Company of America,* San Joaquin County Superior Court, Case No. STK-CV-UIC-2018-7607 (Coverage Action), as provided in the Settlement Agreement that the parties fully executed on July 13, 2023. In exchange for dismissal of the Coverage Action, SJCERA received total payment from Travelers of $952,101.74.

14.0 BOARD OF RETIREMENT COMMITTEE ASSIGNMENTS

14.01 Chair Resuccia made the following committee assignments: Administrative Committee: Trustee Duffy (Chair), Trustee Goodman, Trustee Keokham, Trustee Restuccia; Audit Committee: Trustee Duffy (Chair), Trustee Keokham, Trustee McCray, Trustee Restuccia; CEO Performance Review Committee: Trustee Bassett (Co-Chair), Trustee Keokham (Co-Chair), Trustee Duffy, Trustee Weydert

01 Trustee committee assignments August 2022 - July 2023

15.0 CALENDAR

15.01 Special Meeting September 1, 2023 9:00 a.m.

15.02 Board Meeting September 8, 2023 at 9:00 a.m.

15.03 Board Meeting October 11, 2023 at 9:00 a.m.

15.04 Special Meeting October 12, 2023 at 8:00 a.m.

16.0 ADJOURNMENT

16.01 There being no further business the meeting was adjourned at 10:38 a.m.

Respectfully Submitted:

____

Michael Restuccia, Chair

Attest:

____

Raymond McCray, Secretary

San Joaquin County Employees Retirement Association

September 2023

5.01 Service Retirement Consent

01 DANIEL R BESSAC
Correctional Officer
Sheriff-Custody-Regular Staff

Member Type: General
Years of Service: 00y 04m 17d
Retirement Date: 7/5/2023

02 DANIEL R BESSAC
Correctional Officer
Sheriff-Custody-Regular Staff

Member Type: Safety
Years of Service: 16y 09m 05d
Retirement Date: 7/5/2023

03 CHRISTINE M BLUE
Psychiatrist
Mental Health-Adult Outpatient

Member Type: General
Years of Service: 19y 08m 11d
Retirement Date: 7/1/2023

04 LINDA E CLEMENSEN
Deferred Member
N/A

Member Type: General
Years of Service: 14y 00m 15d
Retirement Date: 6/1/2023
Comments: Deferred from SJCERA since December 2006.

05 LISA L COLLINS
Accountant III
Conservator Services

Member Type: General
Years of Service: 20y 10m 07d
Retirement Date: 7/8/2023

06 DOUGLAS L DRESSLER
Juvenile Detention Officer
Juv Detention-YOBG

Member Type: Safety
Years of Service: 14y 02m 02d
Retirement Date: 7/14/2023

07 KRISTIN K FEATHERSTON
Deferred Member
N/A

Member Type: General
Years of Service: 06y 09m 24d
Retirement Date: 6/17/2023
Comments: Deferred general service since March 2022. Member retired from safety position on March 27, 2022 with 20 years of service.

08 NATIVIDAD GAMEZ
Equipment Operator Foreman
North County Landfill

Member Type: General
Years of Service: 36y 00m 12d
Retirement Date: 7/14/2023

09 JOHN G HEILBRUN
Deferred Member
N/A

Member Type: Safety
Years of Service: 07y 10m 07d
Retirement Date: 7/1/2023
Comments: Deferred from SJCERA since April 2007.

10 **JUANITA M HUERTA** Sr Code Enforcement Officer
Community Development Services

Member Type: General
Years of Service: 34y 10m 16d
Retirement Date: 7/8/2023

11 **KAROLYN A JONES** Senior Office Assistant
HSA - Clerical Support

Member Type: General
Years of Service: 20y 00m 18d
Retirement Date: 7/1/2023

12 **VICTORIA LOPEZ** Office Secretary
Employment - Economic Developm

Member Type: General
Years of Service: 08y 08m 26d
Retirement Date: 7/10/2023
Comments: Tier 2 member - eligible to retire with 5 years of service credit.

13 **ANGELINA MCCLURE** Staff Nurse IV - Inpatient
Hosp Labor-Del-Rcvry-Post Part

Member Type: General
Years of Service: 21y 06m 11d
Retirement Date: 7/11/2023

14 **LEVETIA A MILLER** Senior Office Assistant
Mental Health - Clerical

Member Type: General
Years of Service: 20y 02m 01d
Retirement Date: 6/21/2023

15 **PATRICIA L RAGSDALE** Legal Technician II
District Attorney

Member Type: General
Years of Service: 09y 09m 09d
Retirement Date: 7/3/2023
Comments: Incoming reciprocity and concurrent retirement with CalPERS.

16 **JANICE J RAVERTY** Laboratory Assistant I
Hosp Laboratory Clinic

Member Type: General
Years of Service: 10y 04m 25d
Retirement Date: 7/15/2023

17 **KIMBERLY L SMITH** Program Coordinator WIC
Public Health - WIC

Member Type: General
Years of Service: 09y 06m 05d
Retirement Date: 7/15/2023
Comments: Tier 1 Member - Membership date June 17, 2013. Eligible to retire with 10 years of membership.

18 **LYNN T TOY** Deferred Member
N/A

Member Type: General
Years of Service: 17y 02m 04d
Retirement Date: 6/30/2023
Comments: Deferred from SJCERA since March 2015.

19 **PHILLIP Z VANG** Juvenile Detention Officer
Juvenile Detention

Member Type: Safety
Years of Service: 20y 01m 09d
Retirement Date: 7/1/2023

San Joaquin County Employees' Retirement Association

SEPTEMBER 8, 2023

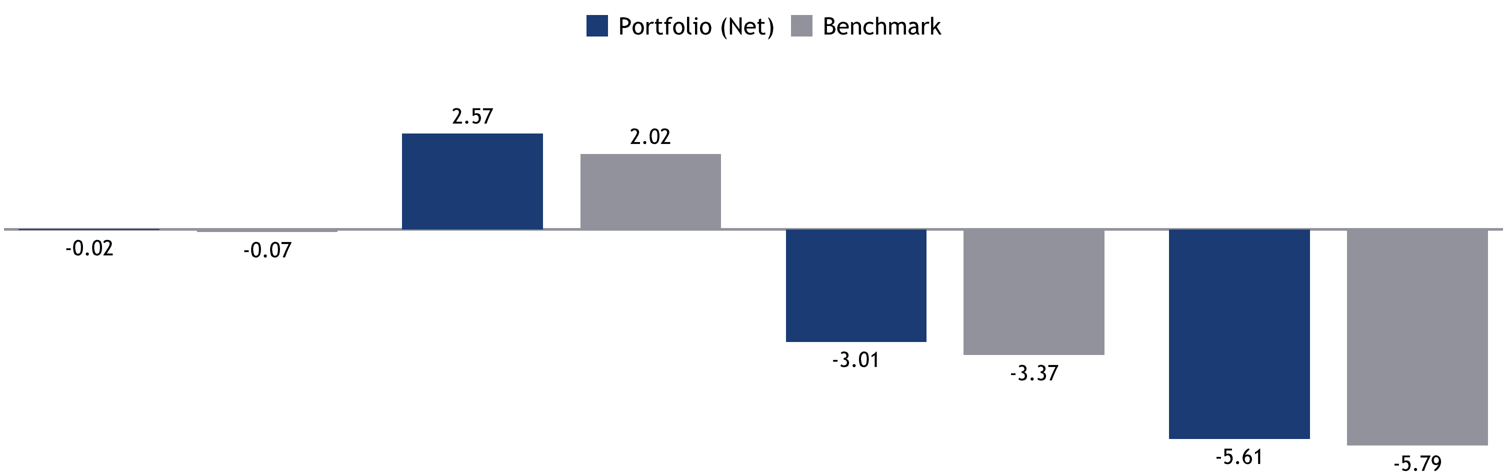
presented by:

MIRSADA DURAKOVIC
Credit Portfolio Manager

STEPHANIE S. LORD, CFA, CIC
Director, Relationship Management

investment performance

TRAILING RETURNS AS OF 7/31/2023 (%)



	QTD	YTD	1 Year	Since Inception 3/7/2022
Excess Return (Net)	+0.05	+0.55	+0.36	+0.18

Data Source: Loomis Sayles. The current benchmark is Bloomberg U.S. Aggregate Index.
Benchmarks: BBG Aggregate (3/7/2022 - 7/31/2023).

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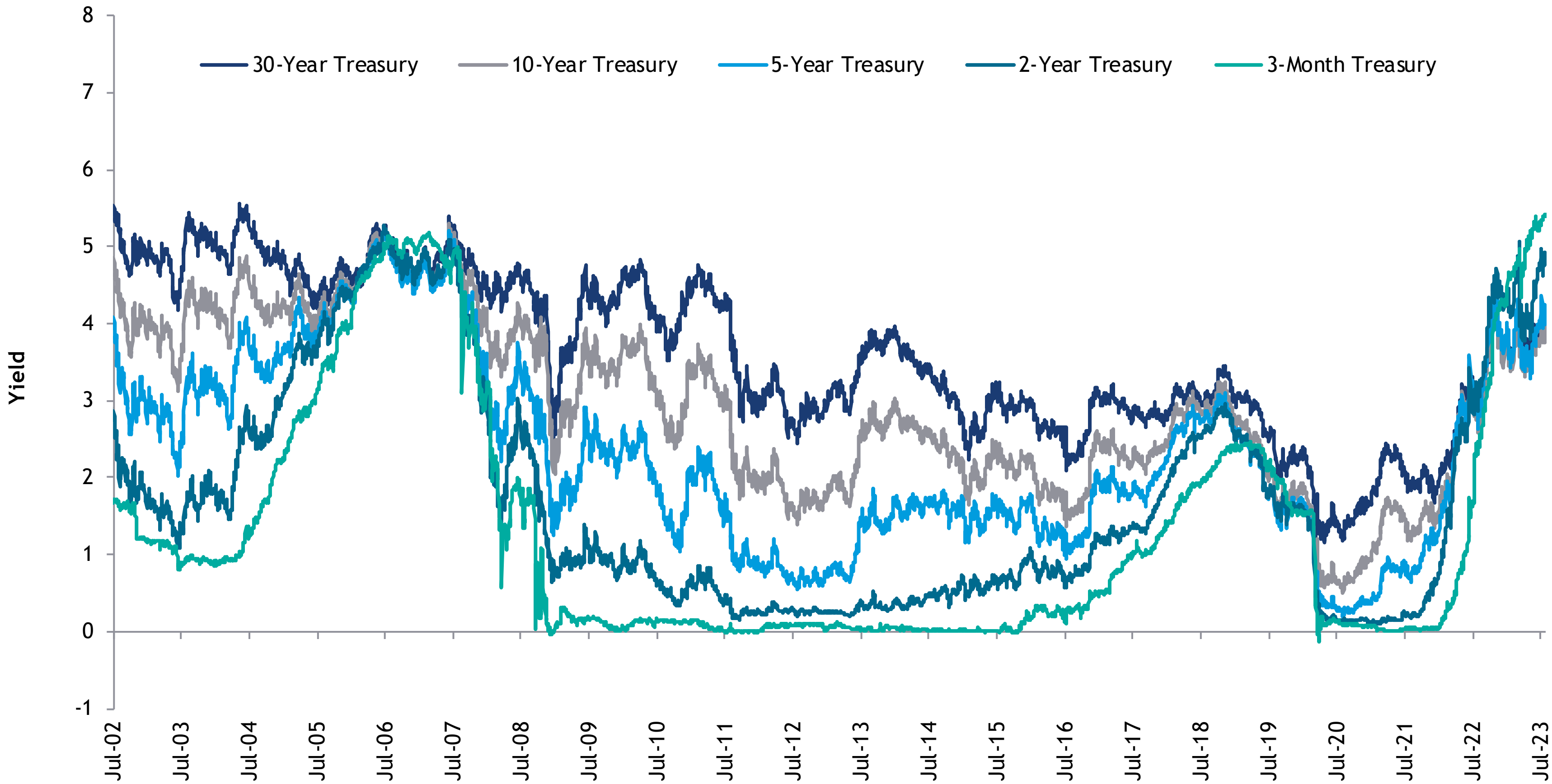
US treasury yields hit their highest levels since 2007

US TREASURY YIELDS: TWENTY YEAR HISTORY



Source: Bloomberg. As of 7/31/2023.

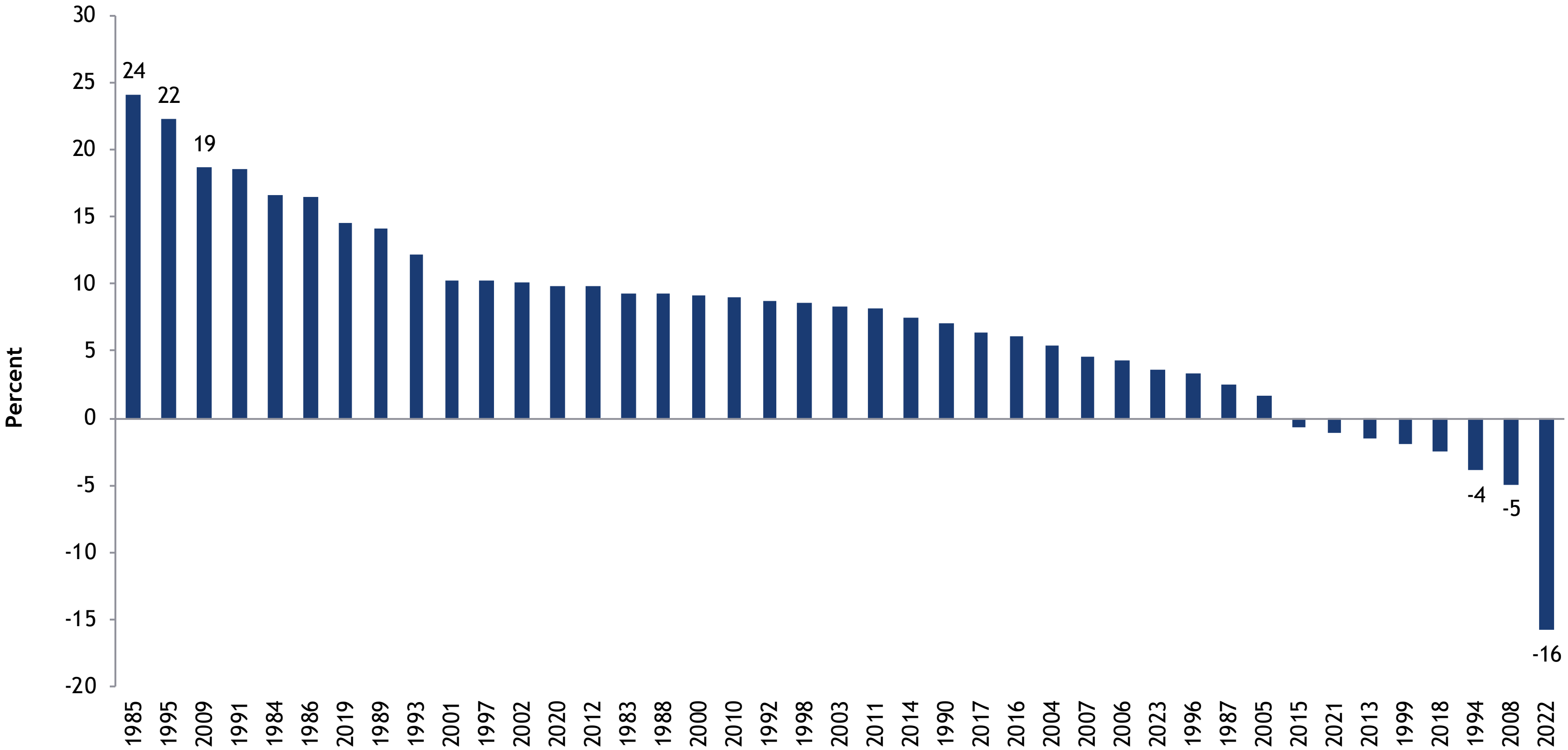
The chart presented above is shown for illustrative purposes only. Some or all of the information on this chart may be dated, and, therefore, should not be the basis to purchase or sell any securities. The information is not intended to represent any actual portfolio. Information obtained from outside sources is believed to be correct, but Loomis Sayles cannot guarantee its accuracy. This material cannot be copied, reproduced or redistributed without authorization.

Past performance is no guarantee of future results.

2022 was the worst year for investment grade total returns

US CORPORATE INVESTMENT GRADE TOTAL RETURN HISTORY

As of 7/31/2023



Source: Barclays. As of 7/31/2023.
The chart presented above is shown for illustrative purposes only. Some or all of the information on this chart may be dated, and, therefore, should not be the basis to purchase or sell any securities. The information is not intended to represent any actual portfolio. Information obtained from outside sources is believed to be correct, but Loomis Sayles cannot guarantee its accuracy. This material cannot be copied, reproduced or redistributed without authorization.
Past performance is no guarantee of future results.
Indices are unmanaged and do not incur fees. It is not possible to invest directly in an index.
Returns are arranged from highest to lowest.

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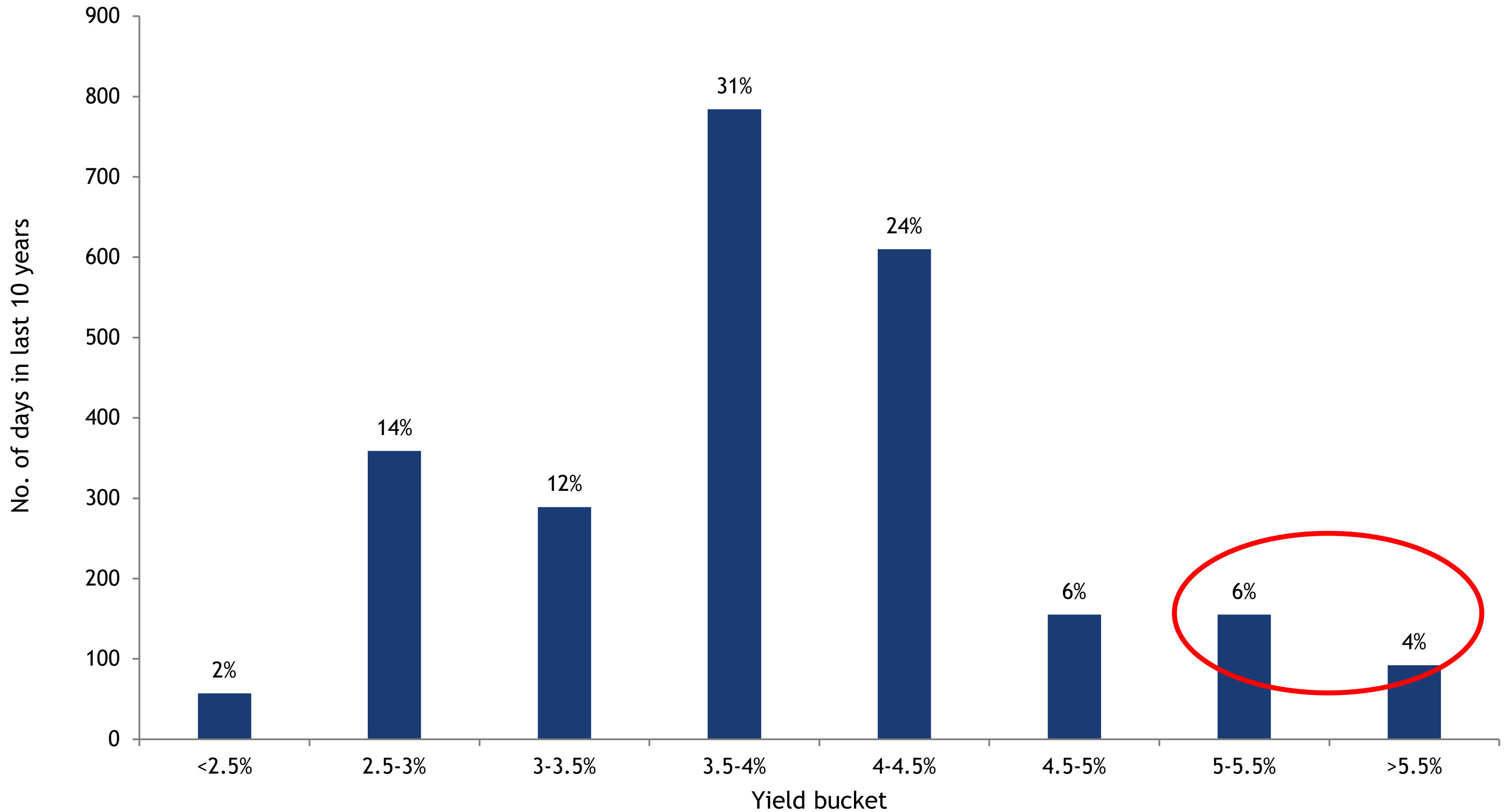
XTC016
MALR030696
8222222016

the income in fixed income is finally back

HIGH GRADE BOND YIELDS HAVE BEEN HIGHER THAN CURRENT RARELY OVER THE PAST 10 YEARS



Source: J.P.Morgan. As of 07/24/2023

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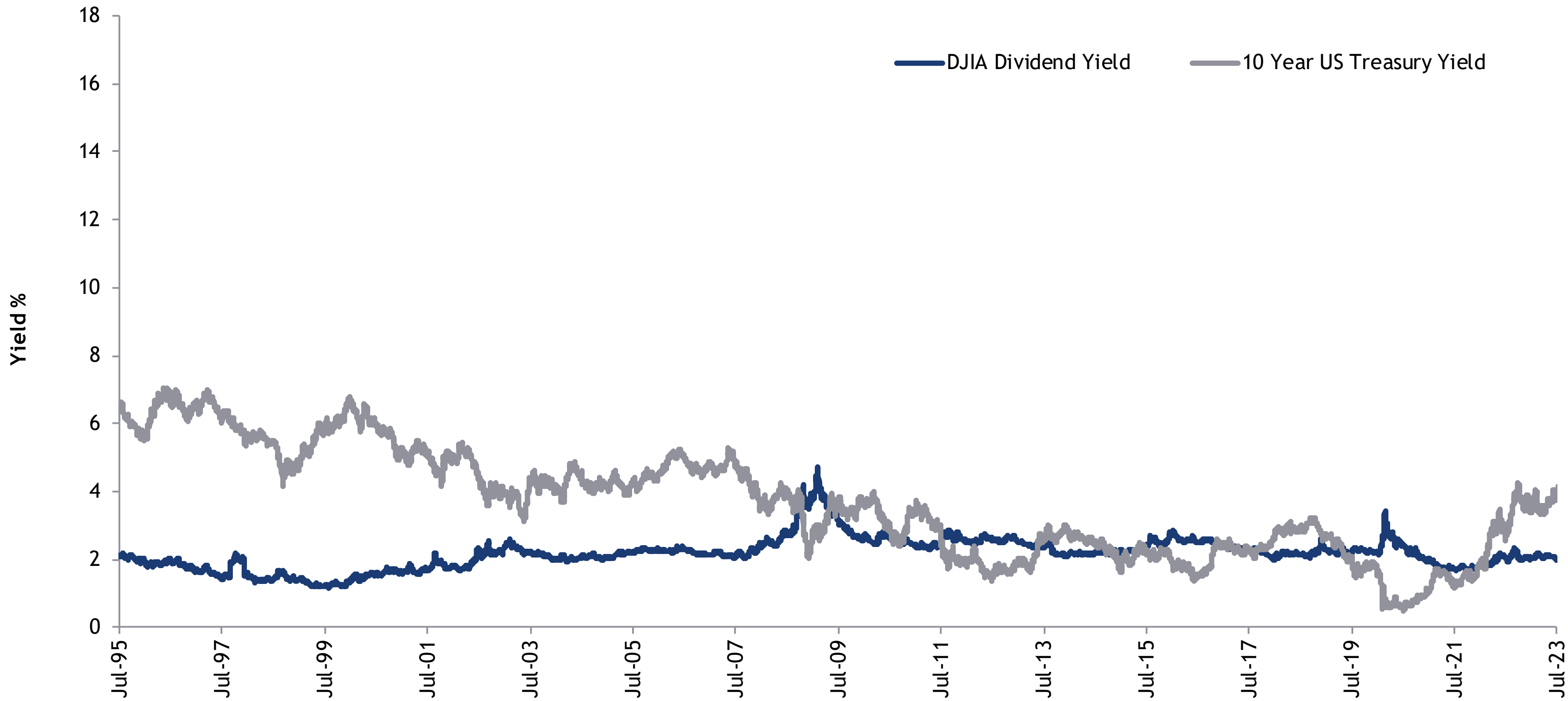
the dividend yield for stocks looks a lot less attractive now relative to 'risk free' rates

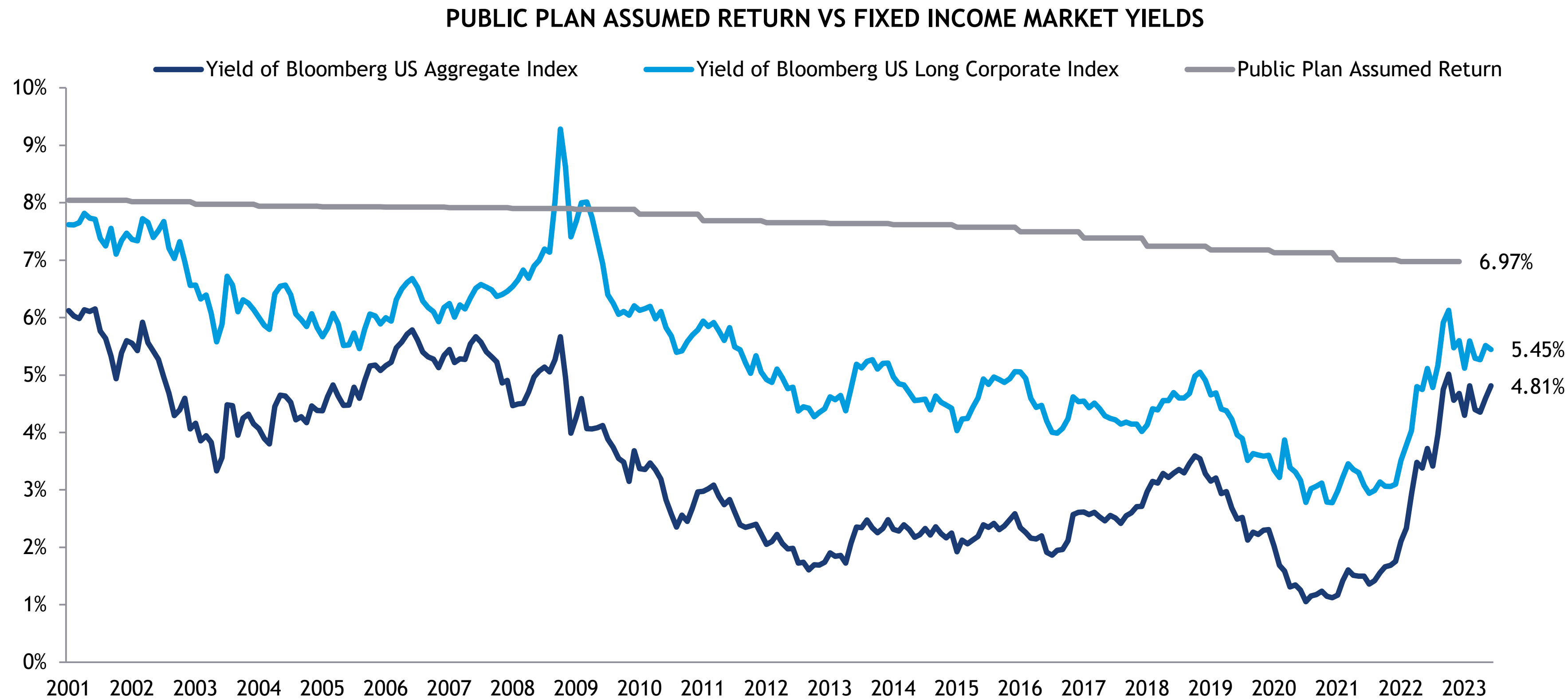
DOW JONES INDUSTRIAL AVERAGE DIVIDEND YIELD VS 10-YEAR US TREASURY YIELD



Source: Bloomberg. As of 7/31/2023.
The chart presented above is shown for illustrative purposes only. Some or all of the information on this chart may be dated, and, therefore, should not be the basis to purchase or sell any securities. The information is not intended to represent any actual portfolio. Information obtained from outside sources is believed to be correct, but Loomis Sayles cannot guarantee its accuracy. This material cannot be copied, reproduced or redistributed without authorization.
Past performance is no guarantee of future results.
All indices are unmanaged and do not incur fees. You cannot invest directly in an index.

yields are compelling relative to public plan return assumptions

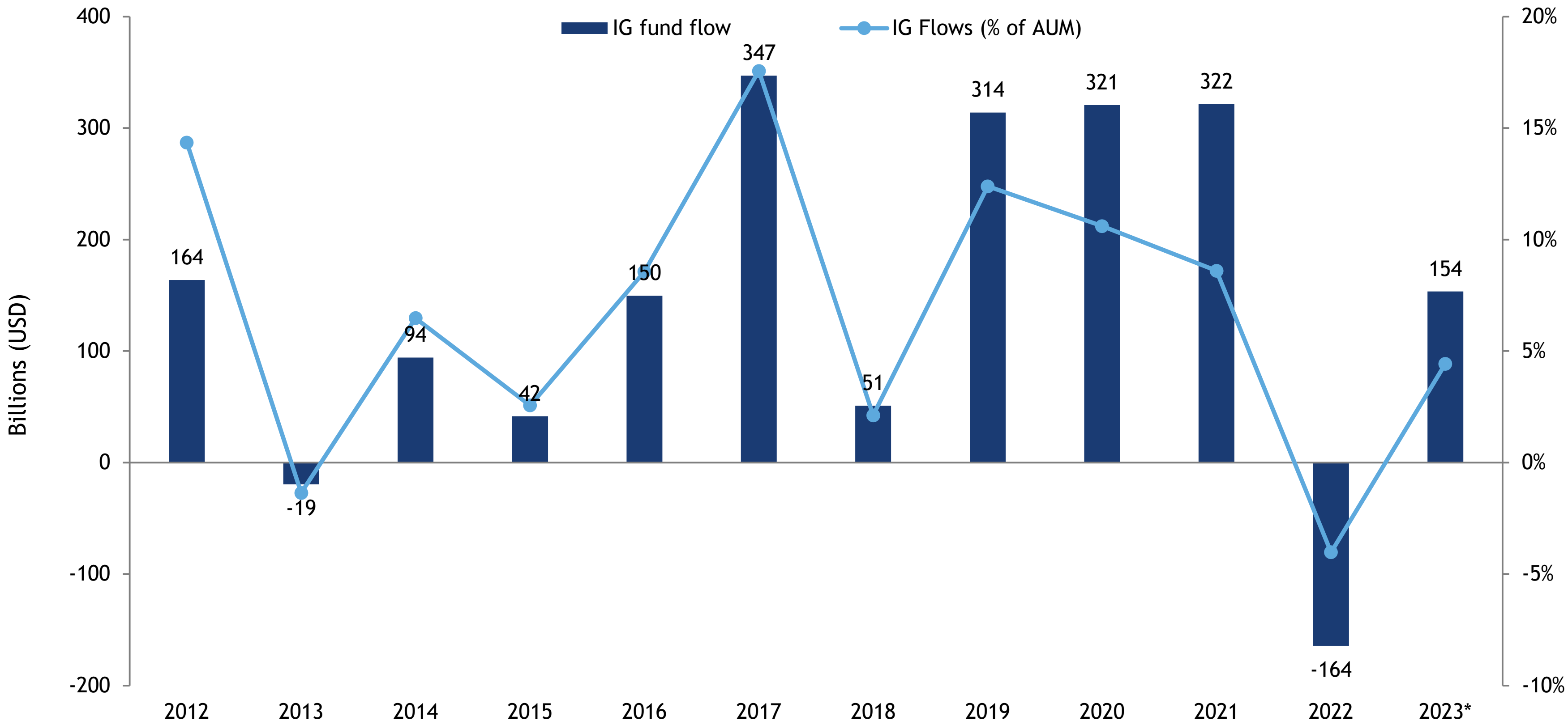
PUBLIC PLAN ASSUMED RETURN VS FIXED INCOME MARKET YIELDS



Source: Census of Governments; PENDAT; Public Plans Database, Bloomberg. Public Plan assumed return as of 12/31/2022. Bloomberg Index yields as of 6/30/2023.
For public plan assumed return: national data averages are weighted by plan size.
***The chart presented above is shown for illustrative purposes only.** Some or all of the information on this chart may be dated, and, therefore, should not be the basis to purchase or sell any securities. The information is not intended to represent any actual portfolio managed by Loomis Sayles. Indices are unmanaged and do not incur fees. It is not possible to invest directly in an index. Information obtained from outside sources is believed to be correct, but Loomis Sayles cannot guarantee its accuracy.*
Past performance is no guarantee of future results.

technicals: strong inflows YTD largely offsetting 2022 outflows

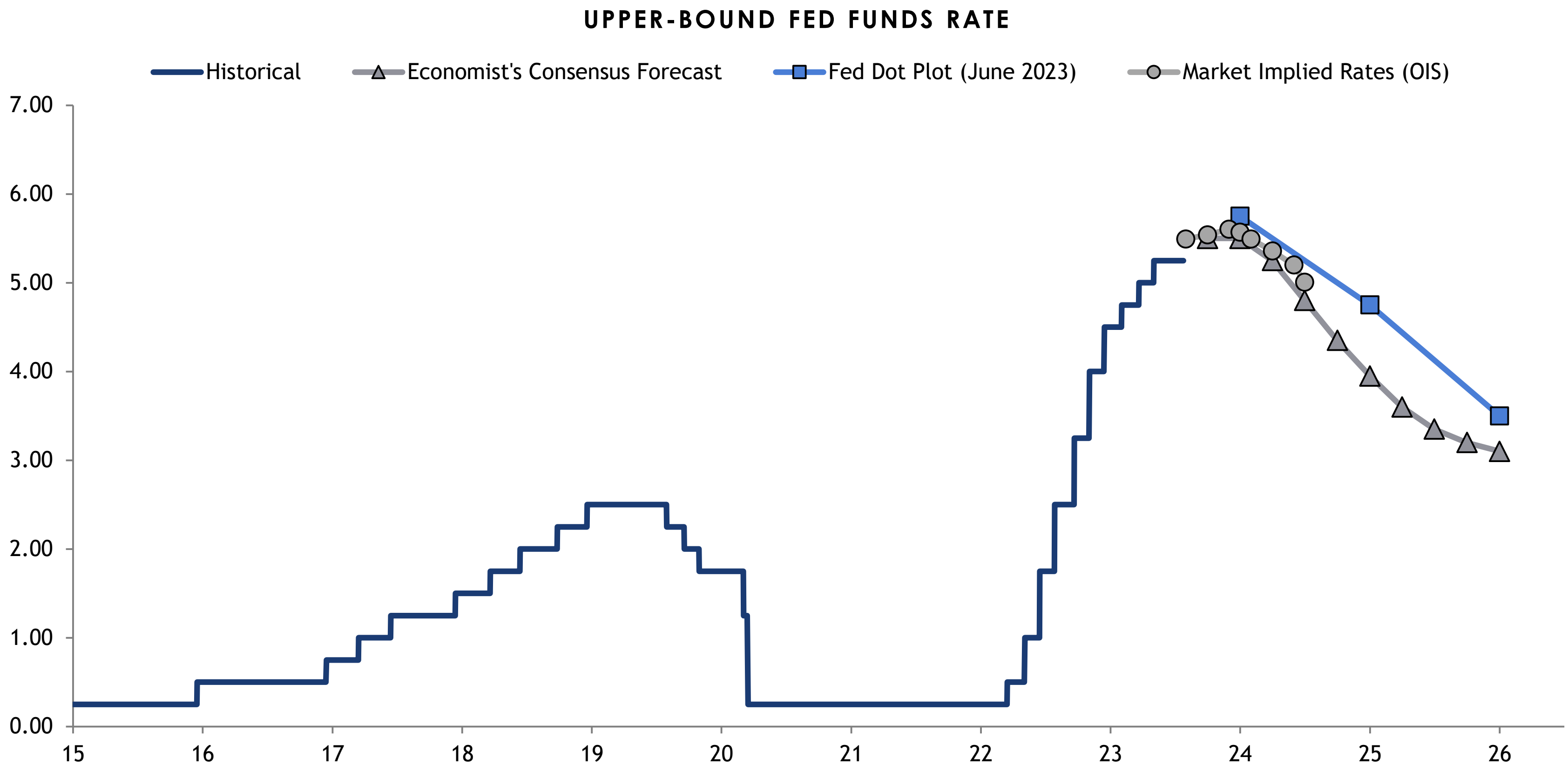
STRONG INFLOWS YTD HAVE REVERSED 2/3 OF LAST YEAR'S OUTFLOWS



Source: Barclays. ***As of 7/31/2023.***
Net issuance is net of called bonds, matured debt, tenders, and open market purchases.
Annual Data, Excludes FDIC-guaranteed Debt.
The chart presented above is shown for illustrative purposes only. Some or all of the information on this chart may be dated, and, therefore, should not be the basis to purchase or sell any securities. The information is not intended to represent any actual portfolio. Information obtained from outside sources is believed to be correct, but Loomis Sayles cannot guarantee its accuracy. This material cannot be copied, reproduced or redistributed without authorization.

the market is currently pricing a near-term end to hikes and rate cuts in 1H24

FED FUNDS RATE HIKES



Source: Bloomberg, as of 7/25/2023.
Consensus Forecasts and Market Implied Rates come from the Bloomberg functions ECFC and WIRP respectively.
Used with permission from Bloomberg.

MEKETA | 45
CELEBRATING A MILESTONE | YEARS

San Joaquin County Employees' Retirement Association (SJCERA)

Q2 2023

Quarterly Report

Table of Contents

1. Introduction
2. Portfolio Review
3. Real Estate Program
4. Economic and Market Update as of June 30, 2023
5. Disclaimer, Glossary, and Notes

Introduction

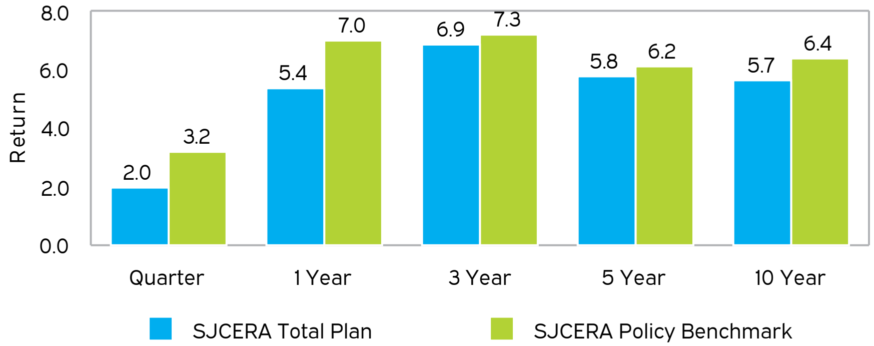
Introduction

The SJCERA Total Portfolio had an aggregate value of $4.02 billion as of June 30, 2023. During the latest quarter, the Total Portfolio increased in value by $85.3 million, and over the one-year period, the Total Portfolio has increased by $256.6 million. The movements over the quarter and one-year periods were primarily driven by investment returns. The volatility markets experienced during the first quarter of the year largely dissipated during the second quarter of 2023 as pressures that stemmed from the regional banking crisis in the beginning of the year eased. During June, in a move that further calmed the markets, President Biden signed a bill raising the Federal debt ceiling. Several weeks later, the Federal Reserve chose to “pause” their path of rate hikes, potentially signaling to the market that we are nearing the terminal interest rate.

Recent Investment Performance

The Total Portfolio has underperformed the policy benchmark for the quarter, 1-, 3-, 5-, 10-, 15-, 20- and 25-year periods by (1.3%), (1.6%), (0.4%), (0.4%), (0.7%), (0.9%), (0.7%), and (0.2%), respectively. Net of fees, the Plan has also trailed the Median Public Fund for the quarter, 1-, 3-, 5-, 10-, 15-, 20-, and 25-year periods by (0.7%), (1.8%), (1.4%), (0.4%), (1.2%), (1.9%), (1.4%), and (1.5%), respectively. That said, it’s important to view these returns in the context of the risk the portfolio is taking on relative to that of the median public plan. The annualized standard deviation of the Plan is 2.8% lower than the median public plan with over $1 billion in assets, (7.7% for the plan vs. 10.5% for the median public plan), and the Sharpe ratio of the Plan is 0.6 whereas the Sharpe ratio of the median public plan in the same category is 0.5.

Return Summary



Summary of Cash Flows

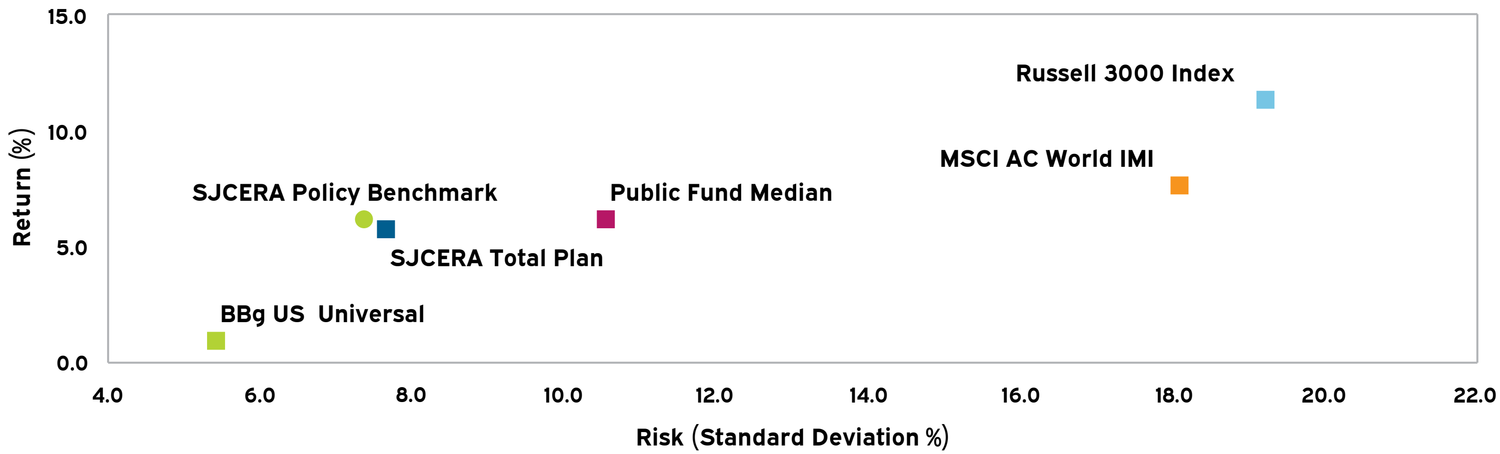
	Quarter	1 Year
SJCERA Total Plan		
Beginning Market Value	3,938,611,968	3,767,288,432
Net Cash Flow	6,061,338	49,302,819
Net Investment Change	79,249,192	207,331,248
Ending Market Value	4,023,922,498	4,023,922,498

	Quarter	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	25 Years
SJCERA Total Plan - Gross	**2.1**	**5.8**	**7.4**	**6.4**	**6.5**	**5.2**	**6.3**	**6.0**
SJCERA Total Plan - Net	**2.0**	**5.4**	**6.9**	**5.8**	**5.7**	**4.5**	**5.7**	**5.4**
SJCERA Policy Benchmark[2]	*3.2*	*7.0*	*7.3*	*6.2*	*6.4*	*5.4*	*6.3*	*5.6*
Excess Return (Net)	-1.2	-1.6	-0.4	-0.4	-0.7	-0.9	-0.6	-0.2
All Public Plans > $1B-Total Fund Median[1]	*2.6*	*7.6*	*8.3*	*6.2*	*6.9*	*6.4*	*7.0*	*6.1*

1 Investment Metrics Total Fund Public Universe >$1 Billion, net of fees.
2 Policy Benchmark composition is listed int he Appendix.

Risk Adjusted Return vs Peers				
	1 Yr	3 Yrs	5 Yrs	10 Yrs
SJCERA Total Plan - Net	5.81	7.02	5.86	5.74
Risk Adjusted Median	6.52	6.85	4.52	6.33
Excess Return	-0.70	0.17	1.34	-0.59

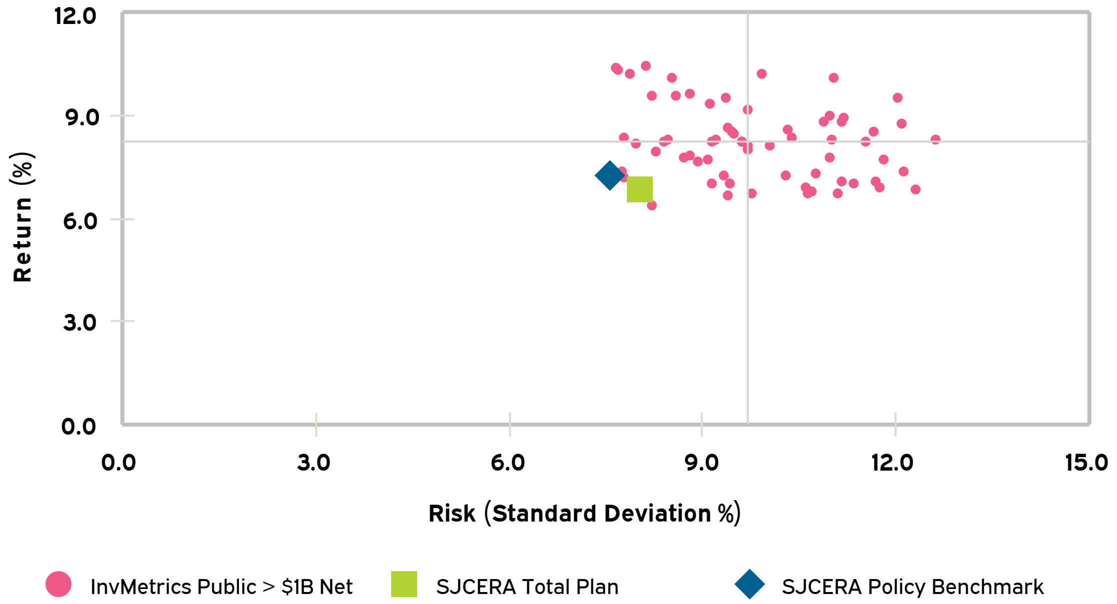
5-Year Annualized Risk/Return (Net of Fees)



	Anlzd Return	Anlzd Standard Deviation	Sharpe Ratio
SJCERA Total Plan	5.8	7.7	0.6
SJCERA Policy Benchmark	6.2	7.4	0.6
Median Public Fund Median	6.2	10.5	0.5
Blmbg. U.S. Universal Index	1.0	5.4	-0.1
Russell 3000 Index	11.4	19.2	0.6
MSCI AC World IMI	7.6	18.1	0.4

InvMetrics Public > $1B Net

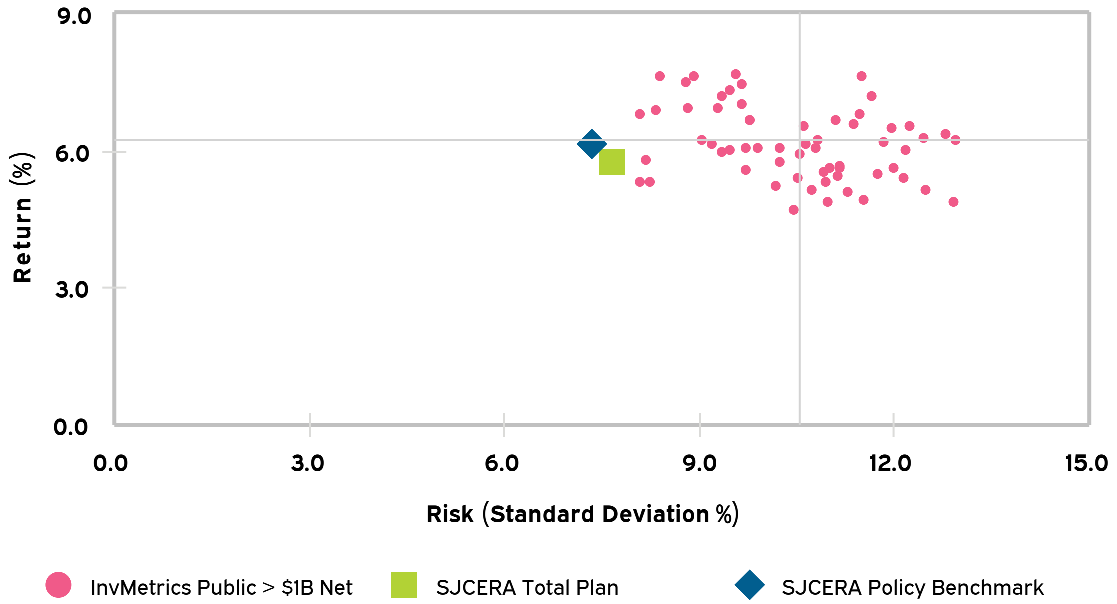
Total Fund Risk/Return Analysis
Latest 3 Years



	Return	Standard Deviation	Sharpe Ratio
SJCERA Total Plan	6.9	8.0	0.7
SJCERA Policy Benchmark	7.3	7.6	0.8
All Public Plans > $1B-Total Fund Median[3]	8.3	9.7	0.7

1 Returns are net of fees.
2 Computed as annualized return less the risk free rate, divided by the annualized standard deviation.
3 Investment Metrics Total Fund Public Universe > $1 Billion, net of fees.

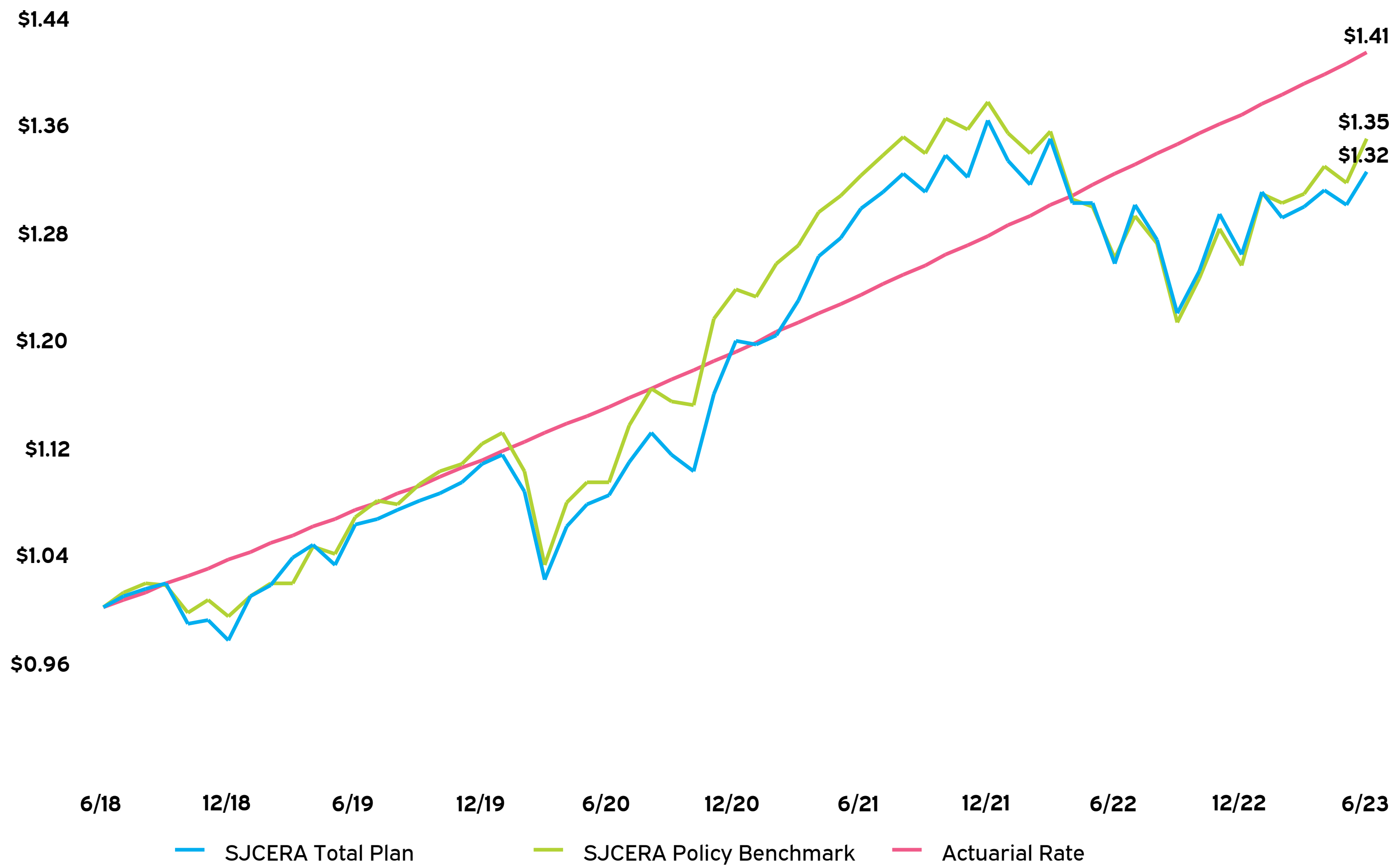
Total Fund Risk/Return Analysis
Latest 5 Years



	Return	Standard Deviation	Sharpe Ratio
SJCERA Total Plan	5.8	7.7	0.6
SJCERA Policy Benchmark	6.2	7.4	0.6
All Public Plans > $1B-Total Fund Median[3]	6.2	10.5	0.5

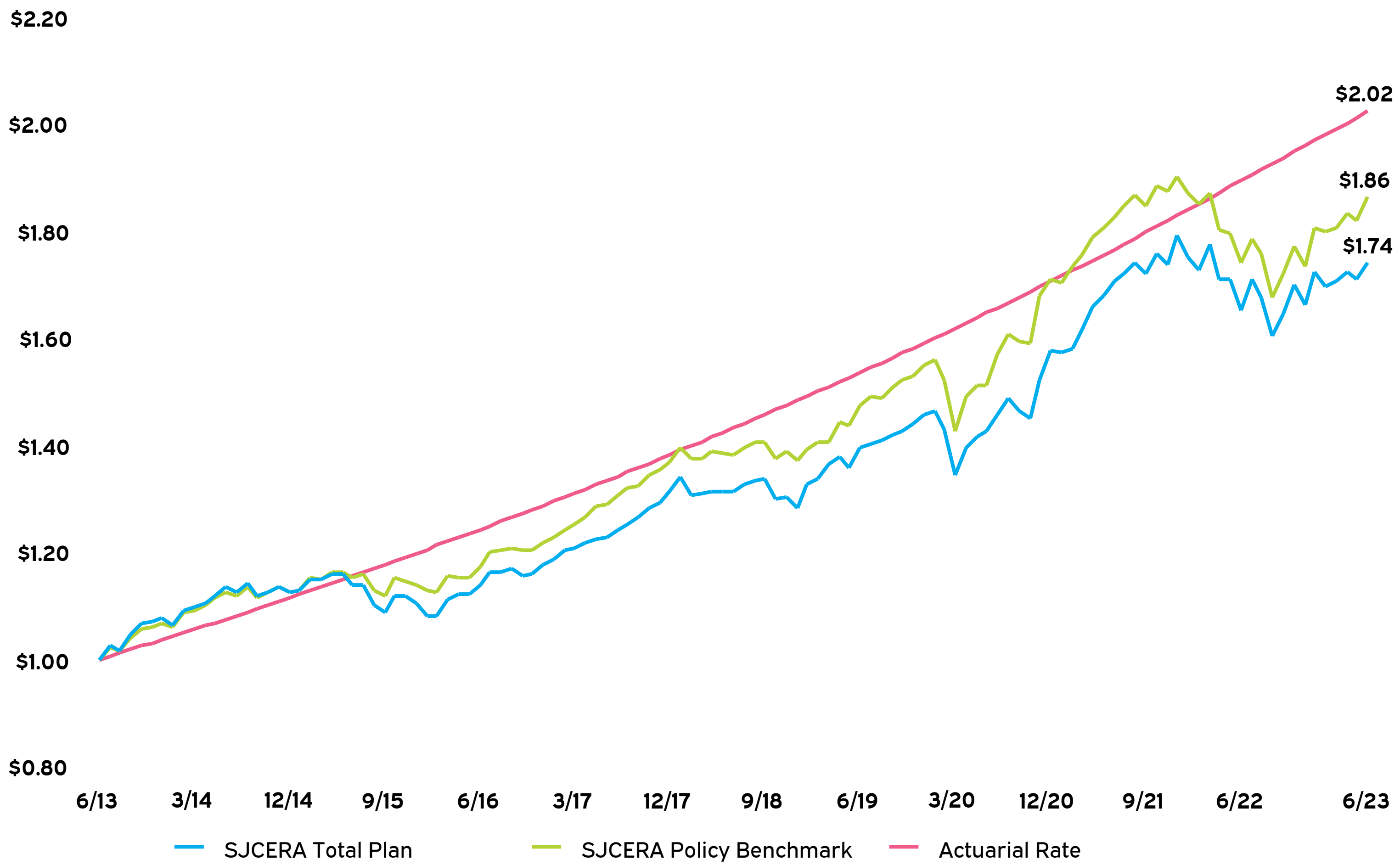
1 Returns are net of fees.
2 Computed as annualized return less the risk free rate, divided by the annualized standard deviation.
3 Investment Metrics Total Fund Public Universe > $1 Billion, net of fees.

Growth of a Dollar - Latest 5 Years



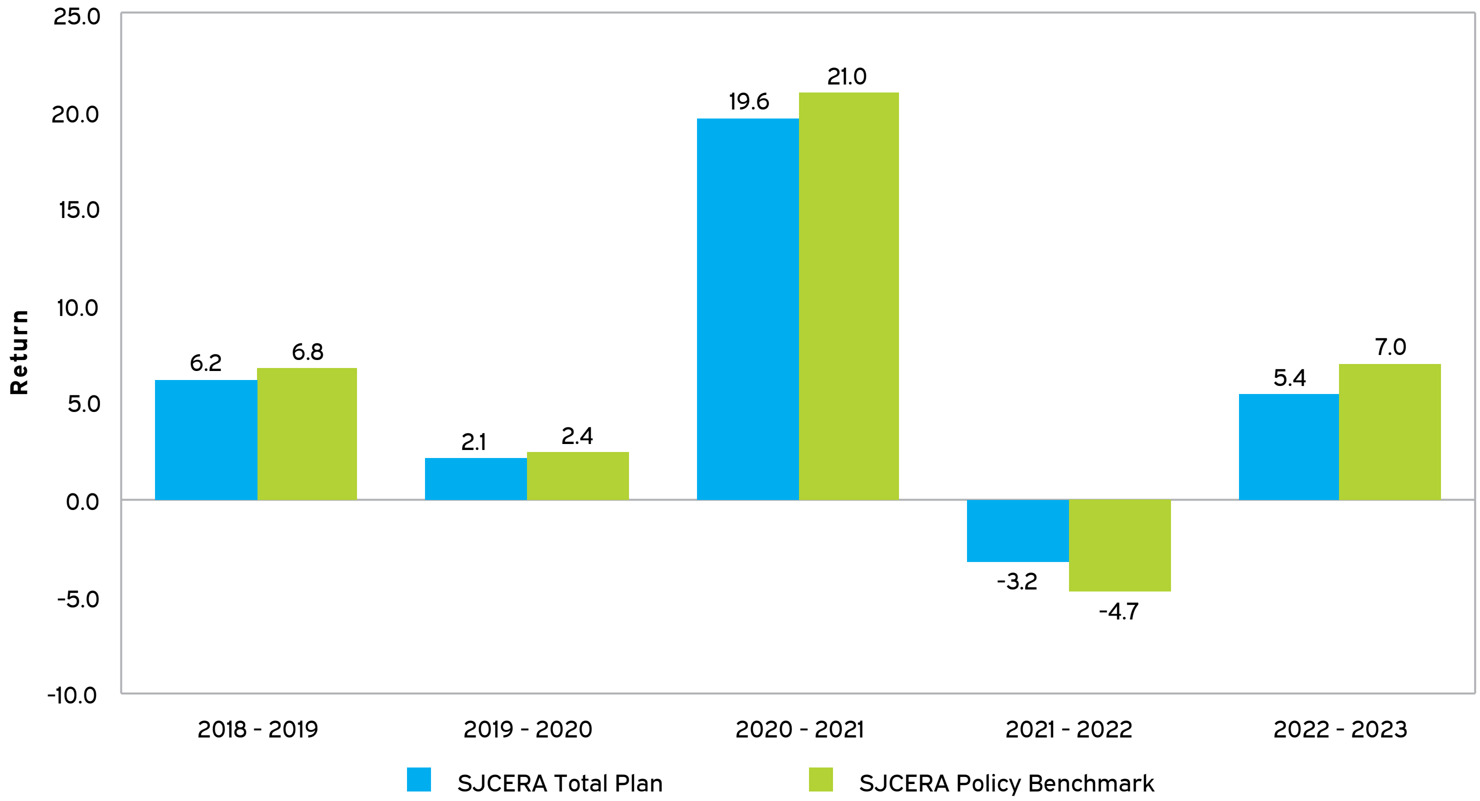
6.75% Actuarial Rate from 9/1/2022 to present. 7.0% Actuarial Rate from 1/1/2020 to 8/31/2022. 7.25% Actuarial Rate from 1/1/2018 to 12/31/2019. 7.4% Actuarial Rate from 8/1/2016 to 12/31/2017. 7.5% Actuarial Rate from 1/1/2012 to 7/31/2016. Previously 8.0%.

Growth of a Dollar - Latest 10 Years



6.75% Actuarial Rate from 9/1/2022 to present. 7.0% Actuarial Rate from 1/1/2020 to 8/31/2022. 7.25% Actuarial Rate from 1/1/2018 to 12/31/2019. 7.4% Actuarial Rate from 8/1/2016 to 12/31/2017. 7.5% Actuarial Rate from 1/1/2012 to 7/31/2016. Previously 8.0%.

12-month Performance Overview



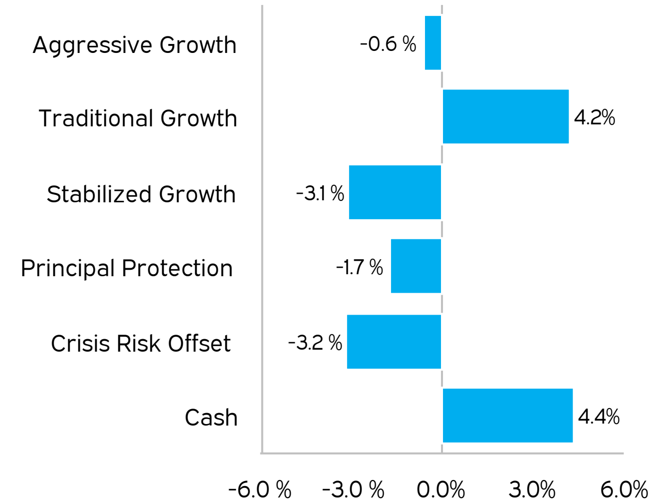
12-month absolute results have been positive over four of the last five 12-month periods, net of fees. The SJCERA Total Portfolio matched or outperformed the policy target benchmark during one of these five periods, net of fees.

Portfolio Review

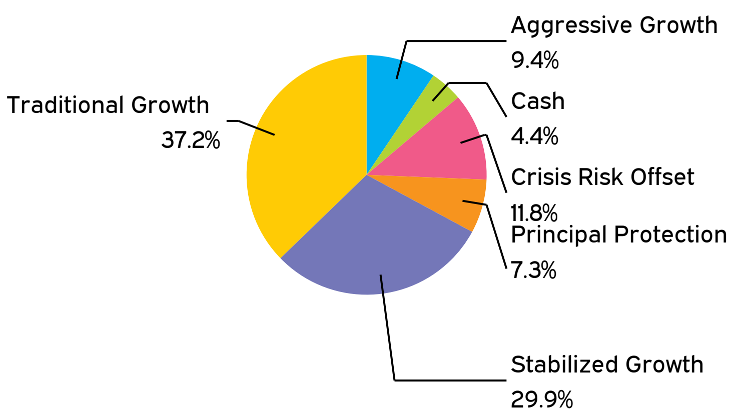
Asset Allocation | As of June 30, 2023

	Current Balance ($)	Current Allocation (%)	Policy (%)	Difference (%)
Broad Growth	**$3,079,870,291**	**76.5**	**76.0**	**0.5**
Aggressive Growth	$379,311,152	9.4	10.0	-0.6
Traditional Growth	$1,498,709,898	37.2	33.0	4.2
Stabilized Growth	$1,201,849,241	29.9	33.0	-3.1
Diversified Growth	**$768,130,541**	**19.1**	**24.0**	**-4.9**
Principal Protection	$292,667,074	7.3	9.0	-1.7
Crisis Risk Offset	$475,463,467	11.8	15.0	-3.2
Cash[2]	**$175,921,666**	**4.4**	**0.0**	**4.4**
Cash	$175,921,666	4.4	0.0	4.4
Total	**$4,023,922,498**	**100.0**	**100.0**	**0.0**

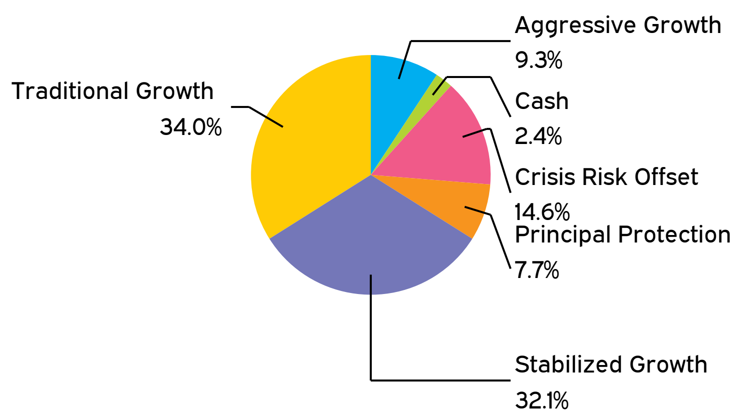
Variance vs Target Allocation (%)



As of June 30, 2023



As of June 30, 2022



1 Market values may not add up due to rounding
2 Cash asset allocation includes Parametric Overlay

Asset Class Performance Net-of-Fees | As of June 30, 2023

	Market Value $	% of Portfolio	3 Mo (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)
SJCERA Total Plan	**4,023,922,498**	**100.0**	**2.0**	**4.8**	**5.4**	**6.9**	**5.8**	**5.7**
SJCERA Policy Benchmark[2]			*3.2*	*7.6*	*7.0*	*7.3*	*6.2*	*6.4*
Broad Growth	**3,079,870,291**	**76.5**	**2.2**	**5.7**	**7.4**	**8.9**	**6.8**	**6.9**
Aggressive Growth Lag	379,311,152	9.4	-2.0	-1.5	0.2	18.7	14.2	12.1
Aggressive Growth Blend			*2.4*	*5.0*	*-3.3*	*7.1*	*8.3*	*8.7*
Traditional Growth	1,498,709,898	37.2	6.3	13.6	17.0	11.1	6.8	8.0
MSCI ACWI IMI Net			*5.9*	*13.2*	*16.1*	*11.0*	*8.4*	*9.2*
Stabilized Growth	1,201,849,241	29.9	-1.2	-0.7	-0.4	4.0	4.7	4.1
SJCERA Stabilized Growth Benchmark[4]			*1.4*	*2.9*	*7.0*	*5.7*	*5.1*	*5.5*
Diversifying Strategies	**768,130,541**	**19.1**	**1.4**	**1.2**	**-1.8**	**0.8**	**2.8**	**3.1**
Principal Protection	292,667,074	7.3	-0.2	2.9	1.2	-1.2	0.9	2.3
Blmbg. U.S. Aggregate Index			*-0.8*	*2.1*	*-0.9*	*-4.0*	*0.8*	*1.5*
Crisis Risk Offset Asset Class	475,463,467	11.8	2.4	0.2	-3.4	2.5	4.1	5.1
CRO Benchmark			*0.8*	*2.1*	*-0.7*	*1.1*	*4.0*	*3.8*
Cash and Misc Asset Class	**147,425,440**	**3.7**	**0.9**	**1.7**	**3.1**	**1.1**	**1.2**	**0.8**
90 Day U.S. Treasury Bill			*1.2*	*2.3*	*3.6*	*1.3*	*1.6*	*1.0*

1 Market values may not add up due to rounding.
2 Policy Benchmark composition is listed in the Appendix.
3 30% ICE BofAML US T-Bill + 4%; 52% 50% Bloomberg High Yield/50% S&P Leverage Loans; 18% NCREIF ODCE +1% Lag.
4 (1/3) Bloomberg Long Duration Treasuries; (1/3) BTOP50 Index; (1/3) 5% Annual.

Asset Class Performance Net-of-Fees | As of June 30, 2023

	Market Value $	% of Portfolio	3 Mo (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)
Aggressive Growth Lag[2]	**379,311,152**	**100.0**	**-2.0**	**0.2**	**18.7**	**14.2**	**12.1**
Aggressive Growth Blend			*2.4*	*-3.3*	*7.1*	*8.3*	*8.7*
Blackrock Global Energy and Power Lag[2]	45,034,647	11.9	7.6	13.0	10.0	--	--
MSCI ACWI +2% Blend			*8.0*	*-5.1*	*18.2*	--	--
BlackRock Global Infrastructure Fund IV, L.P.	2,791,657	0.7	-9.1	--	--	--	--
MSCI ACWI +2% Lag[2]			*8.0*	--	--	--	--
Lightspeed Venture Ptnrs Select V Lag[2]	9,540,042	2.5	-0.7	-14.0	--	--	--
MSCI ACWI +2% Blend			*8.0*	*-5.1*	--	--	--
Long Arc Capital Fund I	18,225,854	4.8	-7.7	--	--	--	--
MSCI ACWI +2% Blend			*8.0*	--	--	--	--
Morgan Creek III Lag[2,3]	3,589,696	0.9	0.0	-18.0	-11.6	-12.3	--
MSCI ACWI +2% Blend			*8.0*	*-5.1*	*18.2*	*9.2*	--
Morgan Creek V Lag[2]	6,661,874	1.8	-14.0	-5.2	9.2	10.0	--
MSCI ACWI +2% Blend			*8.0*	*-5.1*	*18.2*	*9.2*	--
Morgan Creek VI Lag[2]	22,598,408	6.0	-0.2	-11.3	17.8	15.7	--
MSCI ACWI +2% Blend			*8.0*	*-5.1*	*18.2*	*9.2*	--
Ocean Avenue II Lag[2]	35,051,161	9.2	-4.0	3.7	34.8	25.7	--
MSCI ACWI +2% Blend			*8.0*	*-5.1*	*18.2*	*9.2*	--
Ocean Avenue III Lag[2]	51,500,814	13.6	-1.4	5.6	25.9	25.6	--
MSCI ACWI +2% Blend			*8.0*	*-5.1*	*18.2*	*9.2*	--

1 Market Values may not add up due to rounding.
2 Lagged 1 quarter.
3 Q123 data not available at the time of this report. Values reported reflect Q422 market value adjusted by Q123 cash flows.

	Market Value $	% of Portfolio	3 Mo (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)
Ocean Avenue IV Lag[1]	57,346,297	15.1	1.1	36.4	37.8	--	--
MSCI ACWI +2% Blend			*8.0*	*-5.1*	*18.2*	--	--
Ocean Avenue V Lag[1]	3,000,000	0.8	--	--	--	--	--
MSCI ACWI +2% Blend			--	--	--	--	--
Non-Core Real Assets Lag[1]	88,234,036	23.3	-7.5	-19.4	7.2	4.7	6.5
NCREIF ODCE +1% lag (blend)			*-3.1*	*-3.0*	*8.5*	*7.6*	*9.6*
Ridgemont Equity Partners IV, L.P.	4,294,149	1.1	10.7	--	--	--	--
MSCI ACWI +2% Blend			*8.0*	--	--	--	--
Stellex Capital Partners II Lag[1]	31,442,516	8.3	2.3	11.3	--	--	--
MSCI ACWI +2% Blend			*8.0*	*-5.1*	--	--	--

1 Lagged 1 quarter.
2 Trailing Non-Core real estate performance includes returns provided by prior real estate consultant from inception through Q419.

Aggressive Growth

During the latest three-month period ending June 30, 2023, thirteen of SJCERA's fourteen aggressive growth portfolios trailed their respective benchmarks. Please note that return data for this asset class is lagged one quarter and the quarterly results for this portion of the portfolio reflect the delayed markdowns we would expect in many of these asset classes. Additionally, several of these managers which are newer are experiencing what is known as the "J-Curve Effect" while they are in the downward sloping portion of the curve.

BlackRock Global Energy and Power, a fund with a focus on infrastructure, underperformed the MSCI ACWI +2% benchmark over the quarter and 3-year periods by (0.4%) and (8.2%), respectively. However, the manager outperformed the benchmark over the trailing 1-year period by 18.1%.

BlackRock Global Infrastructure Fund IV, a new addition to the Aggressive Growth sleeve which recently called capital, trailed the benchmark during the most recent quarter by (17.1%).

Lightspeed Venture Partners Select V, a venture capital fund, underperformed its target benchmark over the quarter and trailing 1-year period by (8.7%) and (8.9%), respectively.

Long Arc Capital Fund I, a growth-oriented venture capital manager which is new to the asset class, recently called capital and trailed the benchmark by (15.7%) over quarter.

Morgan Creek III did not have a first quarter capital statement available at the time of this report. The returns listed in the performance report for this fund are not updated as a result.

Morgan Creek V underperformed its benchmark over the quarter, 1-, and 3-year periods by (22.0%), (0.1%), and (9.0%), respectively. However, it has outperformed the benchmark over the trailing 5-year period by 0.8%.

Morgan Creek VI trailed its benchmark over the quarter, 1-, and 3-year periods by (8.2%), (6.2%), and (0.4%). That said, the fund has outperformed its benchmark over the trailing 5-year period by 6.5%.

Ocean Avenue II, trailed its benchmark during the quarter by (12.0%); however, it outperformed the benchmark over the 1-, 3- and 5-year periods by 8.8%, 16.6%, and 16.5%, respectively.

Aggressive Growth (continued)

Ocean Avenue III, trailed its benchmark during the quarter by (9.4%); however, it outperformed the benchmark over the 1-, 3- and 5-year periods by 10.7%, 7.7%, and 16.4%, respectively.

Ocean Avenue IV, trailed its benchmark during the quarter by (6.9%); however, it outperformed the benchmark over the 1- and 3-year periods by 41.5% and 19.6%, respectively.

Ocean Avenue V, a new Private Equity vintage of the veteran manager in this portfolio, recently called capital and had not yet invested the $3MM that it called as of this reporting period.

Non-Core Real Assets underperformed its NCREIF ODCE +1% benchmark over the quarter, 1-, 3-, 5- and 10-year periods by (4.4%), (16.4%), (1.3%), (2.9%) and (3.1%), respectively.

Ridgemont Equity Partners, a new Private Equity manager within the asset class, outperformed the benchmark over the quarter by 2.7%.

Stellex Capital Partners II, trailed its benchmark over the quarter by (5.7%); however, it outperformed its benchmark over the trailing 1-year period by 16.4%.

Private Appreciation

Investment Activity Statement for Since Inception by Fund

Investment	Vintage Year	Original Inv. Commitment	Gross Contributions	Management Fees	Return of Capital	Distributions	Net Income	Unrealized Appreciation	Realized Gain	Ending Market Value
Blackrock Global Energy & Power III	2019	50,000,000	44,782,229	3,180,787	1,425,739	6,862,293	2,279,834	4,453,239	1,807,377	45,034,647
Blackrock Global Infrastructure IV-D	2022	50,000,000	3,281,029	152,890	-	-	(473,011)	(40,078)	23,717	2,791,657
Lightspeed Venture Partners Select V	2021	40,000,000	10,800,000	1,000,000	-	-	(1,059,101)	(200,857)	-	9,540,042
Long Arc Capital I	2022	25,000,000	17,683,915	1,413,356	-	-	2,873	527,908	11,158	18,225,854
Morgan Creek III[1]	2015	10,000,000	9,900,000	471,824	2,325,492	717,761	(1,307,803)	(1,238,798)	350,073	4,660,219
Morgan Creek V	2013	12,000,000	11,520,000	774,805	5,102,450	9,191,741	(1,718,714)	2,091,461	9,063,318	6,661,874
Morgan Creek VI	2015	20,000,000	18,200,000	3,787,660	6,864,868	7,768,335	(1,264,398)	14,601,744	5,694,265	22,598,408
Ocean Avenue II*	2013	40,000,000	36,000,000	5,914,395	5,875,189	52,815,969	23,019,797	11,999,739	22,722,783	35,051,161
Ocean Avenue III	2016	50,000,000	46,500,000	7,328,927	25,500,000	28,750,000	11,867,178	21,332,237	26,051,400	51,500,814
Ocean Avenue IV	2019	50,000,000	47,000,000	4,312,705	3,250,000	23,581,637	1,359,168	16,411,713	19,407,053	57,346,297
Ocean Avenue V[2]	2022	30,000,000	3,000,000	-	-	-	-	-	-	3,000,000
Ridgemont	2021	50,000,000	3,879,532	250,000	-	-	(179,168)	593,785	-	4,294,149
Stellex II	2020	50,000,000	30,906,249	2,184,550	-	1,877,875	(1,513,469)	2,441,249	1,486,362	31,442,516
Total			**259,488,010**	**29,205,653**	**50,343,738**	**131,565,611**	**31,483,324**	**72,485,513**	**86,582,631**	**268,130,128**

* Ocean II commitment started at $30 Mil in Q213 and increased to $40 Mil in Q114.

[1] Morgan Creek data is as of December 31, 2022.

[2] Ocean V Q1 capital statement is not available.

Asset Class Performance Net-of-Fees | As of June 30, 2023

	Market Value $	% of Portfolio	3 Mo (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)
Traditional Growth	**1,498,709,898**	**100.0**	**6.3**	**17.0**	**11.1**	**6.8**	**8.0**
MSCI ACWI IMI Net			*5.9*	*16.1*	*11.0*	*8.4*	*9.2*
Northern Trust MSCI World	1,307,215,697	87.2	6.5	18.3	--	--	--
MSCI World IMI Index (Net)			*6.4*	*17.9*	--	--	--
PIMCO RAE Emerging Markets	84,232,666	5.6	6.4	19.1	14.8	4.8	5.3
MSCI Emerging Markets (Net)			*0.9*	*1.7*	*2.3*	*0.9*	*3.0*
GQG Active Emerging Markets	63,993,158	4.3	10.8	10.5	--	--	--
MSCI Emerging Markets (Net)			*0.9*	*1.7*	--	--	--
Invesco REIT	43,265,245	2.9	0.1	-5.5	4.8	3.6	6.1
FTSE NAREIT Equity REIT Index			*2.6*	*-0.1*	*8.9*	*4.6*	*6.4*

Market Values may not add up due to rounding.

Traditional Growth

During the latest three-month period ending June 30, 2023, the traditional growth asset class outperformed its MSCI ACWI IMI benchmark by 0.4% with three of the four managers outperforming their benchmarks.

Northern Trust MSCI World, the Plan's Passive Global Equity manager, outperformed its benchmark over the past quarter by 0.1% and outperformed over the 1-year period by 0.4%.

PIMCO RAE Emerging Markets, one of SJCERA's Active Emerging Markets Equity managers, outperformed its MSCI Emerging Markets Index benchmark for the quarter, 1-, 3-, 5- and 10-year trailing time periods by 5.5%, 17.4%, 12.5%, 3.9% and 2.3%, respectively.

GQG Active Emerging Markets, outperformed its MSCI Emerging Markets benchmark by 9.9% for the quarter and 8.8% for the 1-year period.

Invesco REIT, the Plan's Core US REIT manager, underperformed the FTSE NAREIT Equity REIT Index for the quarter, 1-, 3-, 5- and 10-year periods by (2.5%), (5.4%), (4.1%), (1.0%) and (0.3%), respectively.

Asset Class Performance Net-of-Fees | As of June 30, 2023

	Market Value $	% of Portfolio	3 Mo (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)
Stabilized Growth	**1,201,849,241**	**100.0**	**-1.2**	**-0.4**	**4.0**	**4.7**	**4.1**
SJCERA Stabilized Growth Benchmark[2]			*1.4*	*7.0*	*5.7*	*5.1*	*5.5*
Risk Parity Asset Class	**369,648,270**	**30.8**	**-2.5**	**-2.8**	**-0.7**	**1.6**	**2.1**
ICE BofAML 3mo US TBill+4%			*2.2*	*7.7*	*5.3*	*5.6*	*5.0*
Bridgewater All Weather	190,206,645	15.8	-2.4	0.1	0.8	2.0	3.6
Bridgewater All Weather (blend)			*2.2*	*7.7*	*5.3*	*5.6*	*5.0*
PanAgora Diversified Risk Multi Asset	179,441,625	14.9	-2.6	-5.6	-2.2	1.2	--
ICE BofAML 3mo US TBill+4%			*2.2*	*7.7*	*5.3*	*5.6*	--
Liquid Credit	**234,537,952**	**19.5**	**2.2**	**8.8**	**2.9**	**2.5**	**2.7**
50% BB US HY/50% S&P LSTA Lev Loan			*2.4*	*9.9*	*4.8*	*3.8*	*4.3*
Neuberger Berman	100,035,487	8.3	1.9	7.1	1.6	--	--
33% ICEBofAMLUSHY /33%JPMEMBI Global Div /33% S&P LSTALevLoan			*2.3*	*9.0*	*2.1*	--	--
Stone Harbor Absolute Return	134,502,465	11.2	2.3	9.8	4.0	3.0	2.8
ICE BofA-ML LIBOR			*1.2*	*3.6*	*1.3*	*1.7*	*1.2*
Private Credit Lag	**365,853,711**	**30.4**	**-0.9**	**-2.2**	**4.1**	**3.2**	**2.6**
Credit Blend S&P/LSTA Lev Loan +3%			*4.0*	*5.6*	*9.7*	*8.9*	*9.0*
Blackrock Direct Lending Lag	87,678,668	7.3	-1.0	-2.0	6.7	--	--
Credit Blend S&P/LSTA Lev Loan +3%			*4.0*	*5.6*	*9.7*	--	--
Crestline Opportunity II Lag	13,122,547	1.1	0.1	-14.9	-0.2	-2.0	--
Credit Blend S&P/LSTA Lev Loan +3%			*4.0*	*5.6*	*9.7*	*8.9*	--
Davidson Kempner Long-Term Distressed Opportunities Fund V, L.P. Lag	49,941,746	4.2	2.5	-0.9	--	--	--
Credit Blend S&P/LSTA Lev Loan +3%			*4.0*	*5.6*	--	--	--
HPS European Asset Value II, LP Lag	26,851,793	2.2	2.4	9.0	--	--	--
Credit Blend S&P/LSTA Lev Loan +3%			*4.0*	*5.6*	--	--	--

1 Market Values may not add up due to rounding.
2 30% ICE BofAML 3 month US T-Bill + 4%, 52% 50% BB High Yield/50% S&P Leverage Loans, 18% NCREIF ODCE +1% Lag.

Asset Class Performance Net-of-Fees | As of June 30, 2023

	Market Value $	% of Portfolio	3 Mo (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)
Medley Opportunity II Lag	4,378,784	0.4	0.0	0.0	-5.1	-9.2	-2.6
Credit Blend S&P/LSTA Lev Loan +3%			*4.0*	*5.6*	*9.7*	*8.9*	*9.0*
Mesa West IV Lag	33,530,938	2.8	-11.1	-13.4	-0.2	3.2	--
Credit Blend S&P/LSTA Lev Loan +3%			*4.0*	*5.6*	*9.7*	*8.9*	--
Oaktree Middle-Market Direct Lending Lag	31,041,759	2.6	3.5	1.6	13.2	10.4	--
Credit Blend S&P/LSTA Lev Loan +3%			*4.0*	*5.6*	*9.7*	*8.9*	--
Raven Opportunity III Lag	55,627,212	4.6	-2.3	2.5	6.2	7.6	--
Credit Blend S&P/LSTA Lev Loan +3%			*4.0*	*5.6*	*9.7*	*8.9*	--
White Oak Summit Peer Lag	24,781,288	2.1	1.0	-9.5	-1.3	1.5	--
Credit Blend S&P/LSTA Lev Loan +3%			*4.0*	*5.6*	*9.7*	*8.9*	--
White Oak Yield Spectrum Master V Lag	38,898,976	3.2	-0.4	-3.5	2.0	--	--
Credit Blend S&P/LSTA Lev Loan +3%			*4.0*	*5.6*	*9.7*	--	--
Private Core Real Assets Lag	231,809,308	19.3	-2.6	-2.4	14.4	12.8	13.5
NCREIF ODCE +1% lag (blend)[2]			*-3.1*	*-3.0*	*8.5*	*7.6*	*9.6*

1 Market values may not add up due to rounding.
2 NCREIF ODCE Net + 1% 10/1/2012-present. NCREIF Property Index previously.
3 Q422 data not available at the time of this report. Values reported reflect Q322 market value adjusted by Q422 cash flows.

Stabilized Growth

During the latest three-month period ending June 30, 2023, the Stabilized Growth sleeve of the Plan trailed its benchmark by (2.6%). Thirteen of SJCERA's fifteen Stabilized Growth managers underperformed their benchmarks while two outperformed. Several managers in this asset class are in the process of investing capital and may underperform as assets are invested (typically known as the J-curve effect). Included in this group is private core real assets, which produced a negative return for the quarter; although, it did outperform its benchmark.

Bridgewater All Weather, one of the Plan's Risk Parity managers, trailed its benchmark over the quarter, 1-, 3-, 5- and 10-year periods by (4.6%), (7.6%), (4.5%), (3.6%), and (1.4%), respectively.

PanAgora DRMA, one of the Plan's Risk Parity managers, trailed its benchmark over the quarter, 1-, 3- and 5-year time periods by (4.8%), (13.3%), (7.5%), and (4.4%), respectively.

Neuberger Berman, one of the Plan's Liquid Credit managers, underperformed its benchmark for the quarter, 1- and 3-year time periods by (0.4%), (1.9%), and (0.5%), respectively.

Stone Harbor, the Plan's Absolute Return Fixed Income manager, outperformed over the quarter, 1-, 3-, 5- and 10-year periods by 1.1%, 6.2%, 2.7%, 1.3%, and 1.6%, respectively.

BlackRock Direct Lending, one of the Plan's newer Private Credit managers, trailed its benchmark over the quarter, 1- and 3-year periods by (5.0%), (7.6%), and (3.0%), respectively.

Crestline Opportunity II, the Plan's Credit, Niche Alternatives and Hedge Fund Secondaries manager, trailed its benchmark over the quarter, 1-, 3- and 5-year periods by (3.9%), (20.5%), (9.9%) and (10.9%), respectively.

Davidson Kempner, the Plan's newest Private Credit manager, trailed its benchmark over the quarter and 1-year periods by (1.5%) and (6.5%), respectively.

Stabilized Growth (Continued)

HPS EU Value II, one of the Plan's newer Direct Lending managers, trailed its benchmark for the quarter by (1.6%); however, it outperformed over by 3.4% over the 1-year period.

Medley Opportunity II, one of the Plan's Direct Lending managers, lagged its benchmark over the quarter, 1-, 3-, 5- and 10-year time periods by (4.0%), (5.6%), (14.8%), (18.1%), and (11.6%) respectively.

Mesa West RE Income IV, one of the Plan's Commercial Mortgage managers, trailed the benchmark by (15.1%), (19.0%), (9.9%) and (5.7%) over the quarter, 1-, 3- and 5-year periods, respectively.

Oaktree, a Middle-Market Direct Lending manager, trailed its benchmark over the quarter, 1- and 3-year periods by (0.5%), (4.0%) and (5.2%), respectively; however, it has outperformed over the trailing 5-year period by 0.7%.

Raven Opportunity III underperformed its target for the quarter, 1-, 3-, and 5-year periods by (6.3%), (3.1%), (3.5%), and (1.3%), respectively.

White Oak Summit Peer, one of the Plan's Direct Lending managers, underperformed its index over the trailing quarter, 1-, 3- and 5-year time periods by (3.0%), (15.1%), (11.0%) and (7.4%), respectively.

White Oak Yield Spectrum Master V underperformed its benchmark over the quarter, 1- and 3-year periods by (4.4%), (9.1%), and (7.7%).

Private Core Real Assets, exceeded its target over the quarter, 1-, 3-, 5- and 10-year time periods by 0.5%, 0.6%, 5.9%, 5.2%, and 3.9 %, respectively.

Asset Class Performance Net-of-Fees | As of June 30, 2023

	Market Value $	% of Portfolio	3 Mo (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)
Principal Protection	**292,667,074**	**100.0**	**-0.2**	**1.2**	**-1.2**	**0.9**	**2.3**
Blmbg. U.S. Aggregate Index			*-0.8*	*-0.9*	*-4.0*	*0.8*	*1.5*
Dodge & Cox Fixed Income	200,157,994	68.4	0.1	2.1	-1.6	2.2	2.8
Blmbg. U.S. Aggregate Index			*-0.8*	*-0.9*	*-4.0*	*0.8*	*1.5*
Loomis Sayles	92,509,070	31.6	-0.7	-0.7	--	--	--
Blmbg. U.S. Aggregate Index			*-0.8*	*-0.9*	--	--	--

1 Market Values may not add up due to rounding.

Principal Protection

During the latest three-month period ending June 30, 2023, SJCERA's two Principal Protection managers outperformed the Bloomberg US Aggregate Index benchmark. The asset class as a whole outperformed the benchmark by 60 basis points for the quarter.

Dodge & Cox, the Plan's Core Fixed Income manager, earned a positive quarterly return of 0.1%, outperforming the US Agg by 0.9%. It led its benchmark by 3.0%, 2.4%, 1.4% and 1.3% for the trailing 1-, 3-, 5- and 10-year periods, respectively.

Loomis Sayles, the Plan's newest Principal Protection manager, was funded in Q1 2022 and outperformed the US Agg over the most recent quarter and the trailing 1-year period by 0.1% and 0.2%, respectively.

	Market Value $	% of Portfolio	3 Mo (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)
Crisis Risk Offset Asset Class	**475,463,467**	**100.0**	**2.4**	**-3.4**	**2.5**	**4.1**	**5.1**
CRO Benchmark			*0.8*	*-0.7*	*1.1*	*4.0*	*3.8*
Long Duration	**116,635,615**	**24.5**	**-2.4**	**-6.0**	**-11.4**	**-0.8**	**--**
Blmbg. U.S. Treasury: Long			*-2.3*	*-6.8*	*-12.1*	*-0.9*	*--*
Dodge & Cox Long Duration	116,635,615	24.5	-2.4	-6.0	-11.4	-0.8	--
Blmbg. U.S. Treasury: Long			*-2.3*	*-6.8*	*-12.1*	*-0.9*	*--*
Systematic Trend Following	**238,198,009**	**50.1**	**4.2**	**-4.4**	**16.1**	**8.3**	**8.0**
BTOP 50 (blend)			*3.5*	*-1.7*	*10.8*	*6.9*	*4.0*
Graham Tactical Trend	118,770,596	25.0	7.0	-2.8	15.3	9.0	--
SG Trend			*8.0*	*-1.1*	*14.2*	*9.6*	*--*
Mount Lucas	119,427,413	25.1	1.6	-5.9	16.9	7.4	6.9
BTOP 50 (blend)			*3.5*	*-1.7*	*10.8*	*6.9*	*4.0*
Alternative Risk Premium	**120,629,843**	**25.4**	**3.8**	**-1.1**	**-0.4**	**1.6**	**2.7**
5% Annual (blend)			*1.2*	*5.0*	*5.0*	*5.0*	*6.7*
AQR Style Premia	57,874,282	12.2	6.1	9.4	17.6	0.8	--
5% Annual			*1.2*	*5.0*	*5.0*	*5.0*	*--*
P/E Diversified Global Macro	62,755,561	13.2	1.8	-6.0	-3.2	3.1	--
5% Annual			*1.2*	*5.0*	*5.0*	*5.0*	*--*

1 Market Values may not add up due to rounding.
2 (1/3) BB Long Duration Treasuries, (1/3) BTOP50 Index, (1/3) 5% Annual.

Crisis Risk Offset

During the latest three-month period ending June 30, 2023, two out of six of SJCERA's Crisis Risk Offset managers outperformed their respective benchmarks. That said, on the whole, the Asset class outperformed its benchmark by 1.6%.

Dodge & Cox Long Duration produced a negative quarterly return of (2.4%), which slightly trailed the Bloomberg US Long Duration Treasuries benchmark by (0.1%). The manager outperformed the benchmark over the 1-, 3- and 5- year periods by 0.8%, 0.7%, and 0.1% respectively.

Graham Tactical Trend, one of the Plan's Systematic Trend Following managers, outperformed the SG Trend Index for the 3-year period by 1.1%; however, the manager trailed the benchmark over the quarter, 1- and 5-year periods by (1.0%), (1.7%) and (0.6%), respectively.

Mount Lucas, one of the Plan's Systematic Trend Following managers, underperformed the Barclays BTOP 50 Index for the quarter and 1-year periods by (1.9%) and (4.2%), respectively; however, it outperformed the target over the 3-, 5- and 10-year periods by 6.1%, 0.5%, and 2.9%, respectively.

AQR, one of the Plan's Alternative Risk Premium managers, outperformed its 5% Annual target for the quarter, 1- and 3-year periods by 4.9%, 4.4% and 12.6%, respectively. That said, it trailed the benchmark over the 5-year period by (4.2%).

P/E Diversified, one of the Plan's Alternative Risk Premium managers, outperformed its 5% Annual target for the quarter by 0.6%. However, the manager trailed the benchmark over the 1-, 3- and 5-year periods by (11.0%), (8.2%) and (1.9%), respectively.

Benchmark History

From Date	To Date	Benchmark
SJCERA Total Plan		
04/01/2023	Present	9.0% Blmbg. U.S. Aggregate Index, 33.0% MSCI AC World IMI (Net), 16.0% 50% BB US HY/50% S&P LSTA Lev Loan, 10.0% MSCI ACW +2% Lag, 7.0% NCREIF ODCE +1% lag (blend), 10.0% ICE BofAML 3mo US TBill+4%, 15.0% CRO Benchmark
08/01/2022	04/01/2023	9.0% Blmbg. U.S. Aggregate Index, 33.0% MSCI AC World IMI (Net), 16.0% 50% BB US HY/50% S&P LSTA Lev Loan, 10.0% MSCI ACW +2% Lag, 7.0% NCREIF ODCE +1% lag (blend), 10.0% ICE BofAML 3mo US TBill+4%, 15.0% CRO Benchmark
04/01/2020	08/01/2022	10.0% Blmbg. U.S. Aggregate Index, 32.0% MSCI AC World IMI (Net), 17.0% 50% BB US HY/50% S&P LSTA Lev Loan, 10.0% MSCI ACWI +2% Lag, 6.0% NCREIF ODCE +1% lag (blend), 10.0% ICE BofAML 3mo US TBill+4%, 15.0% CRO Benchmark
01/01/2016	04/01/2020	16.0% Blmbg. U.S. Aggregate Index, 37.0% MSCI AC World Index, 2.0% ICE BofA 3 Month U.S. T-Bill, 15.0% 50% BB US HY/50% S&P LSTA Lev Loan, 10.0% MSCI ACWI +2% Lag, 14.0% ICE BofAML 3mo US TBill+4%, 6.0% CRO Benchmark
01/01/1988	01/01/2016	100.0% SJCERA Policy Benchmark
Aggressive Growth Lag		
01/01/2021	Present	50.0% MSCI ACWI +2% Lag, 50.0% NCREIF ODCE +1% lag (blend)
01/01/1990	01/01/2021	100.0% MSCI ACWI +2% Blend
Stabilized Growth		
01/01/2010	Present	52.0% 50% BB US HY/50% S&P LSTA Lev Loan, 18.0% NCREIF ODCE +1% lag (blend), 30.0% ICE BofAML 3mo US TBill+4%
Crisis Risk Offset Asset Class		
01/01/1987	Present	33.3% Barclay BTOP 50, 33.3% Blmbg. U.S. Treasury: Long, 33.4% 5% Annual

Real Estate Program

Data as of March 31, 2023

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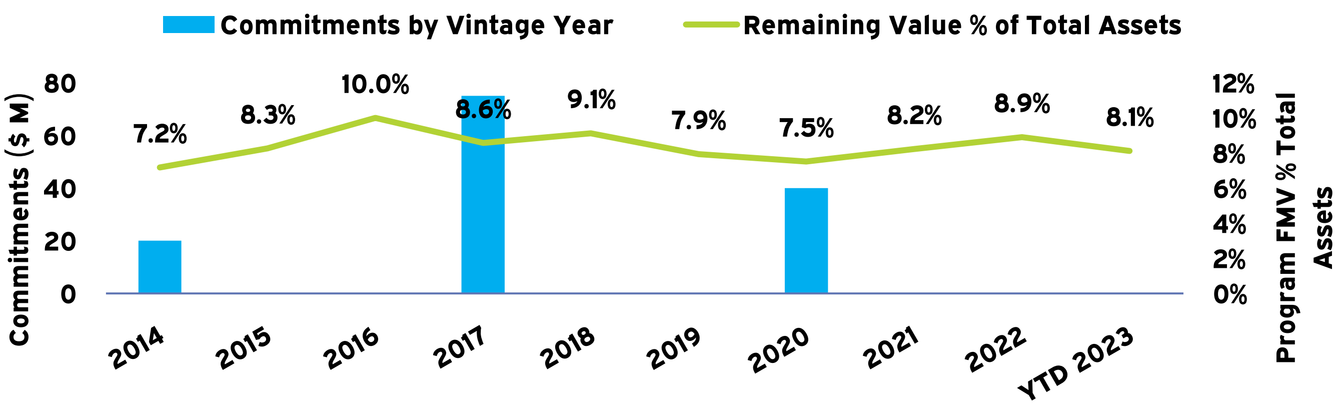
Introduction

The Retirement Association's target allocation towards real estate assets is 17%. As of March 31, 2023, the Retirement Association had invested with nineteen real estate managers (four private open-end and fifteen private closed-end). The aggregate reported value of the Retirement Association's real estate investments was $320 million at quarter-end.



Program Status

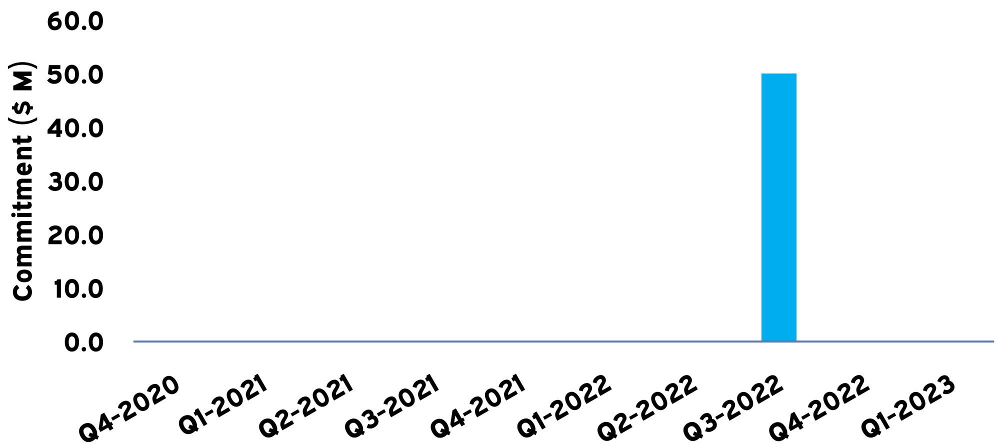
No. of Investments	19
Committed ($ M)	551.6
Contributed ($ M)	458.9
Distributed ($ M)	393.0
Remaining Value ($ M)	320.0

Performance Since Inception

	Program
DPI	0.86x
TVPI	1.55x
IRR	7.5%

Commitments

Recent Quarterly Commitments

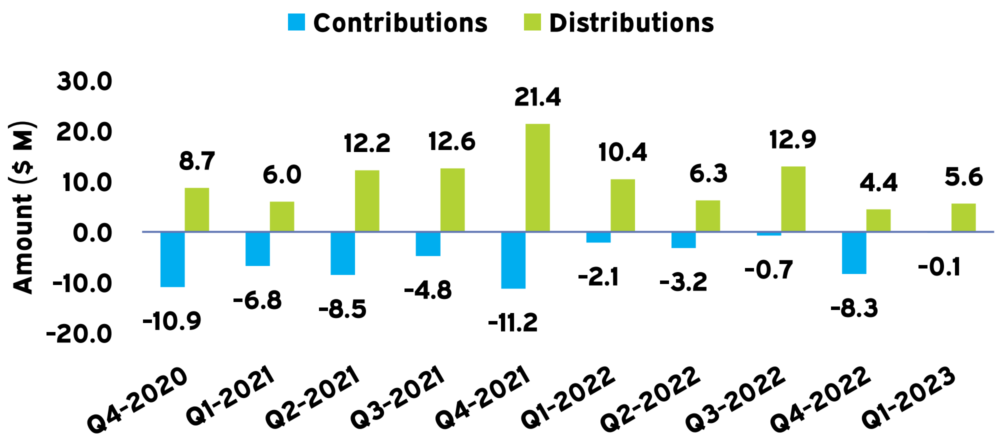


Commitments This Quarter

Fund	Strategy	Region	Amount ($M)
None to report.			

Cash Flows

Recent Quarterly Cash Flows



Largest Contributions This Quarter

Fund	Vintage	Strategy	Region	Amount ($M)
Prologis Logistics	2004	Core	North America	0.13
AG Core Plus IV	2014	Value-Added	North America	0.00
Almanac Realty VI	2011	Value-Added	North America	0.00

Largest Distributions This Quarter

Fund	Vintage	Strategy	Region	Amount ($M)
Berkeley V	2020	Value-Added	North America	3.52
Prologis Logistics	2004	Core	North America	0.67
Greenfield VII	2013	Opportunistic	North America	0.64

Significant Events

- During the second quarter Principal USPA completed thirteen additional home purchases within the existing scattered site single family rental portfolio. While disposition activity completed in the quarter capitalized on strength in investor demand for industrial and included a non-strategic, older vintage, multi-tenant warehouse building in Tacoma, WA. There are a further eight properties that are in various stages of disposition with closing anticipated to occur in the second half of 2023.
- Subsequent to quarter end, the Principal USPA closed on a recast of a $600 million line of credit facility that was set to mature in May 2024. Terms of the syndicated facility include an initial three-year term, two one-year extension options and spreads that match the previous line of credit pricing agreed to in 2019.
- Prologis USLF acquired a small parcel of land used for parking adjacent to an existing building during the second quarter of 2023.
- DWS RAR II completed three non-core acquisitions during the quarter: Tampa, FL— Residential Lease-up ($135 million contract price), Los Angeles, CA—Residential Development ($124 million estimated project cost), and Orlando, FL—Residential Development ($94 million estimated project cost).
- Berkley V completed two acquisitions during the quarter: a 133K square foot asset in Aston, PA and a 354K square foot asset in Garland & Dallas, TX.
- Stockbridge III closed on the disposition of 110 E Broward for a gross sales price of $43.0 million, or $126 per square foot, resulting in a realized IRR of -23.5% and an equity multiple of 0.6x to the Fund. Execution of the sale eliminated the Fund's office exposure. Subsequent to quarter end, the Fund closed on the disposition of Northview Plaza for a gross sales price of $22.4 million, or $187 per square foot, resulting in a realized IRR of 12.2% and an equity multiple of 1.8x to the Fund.

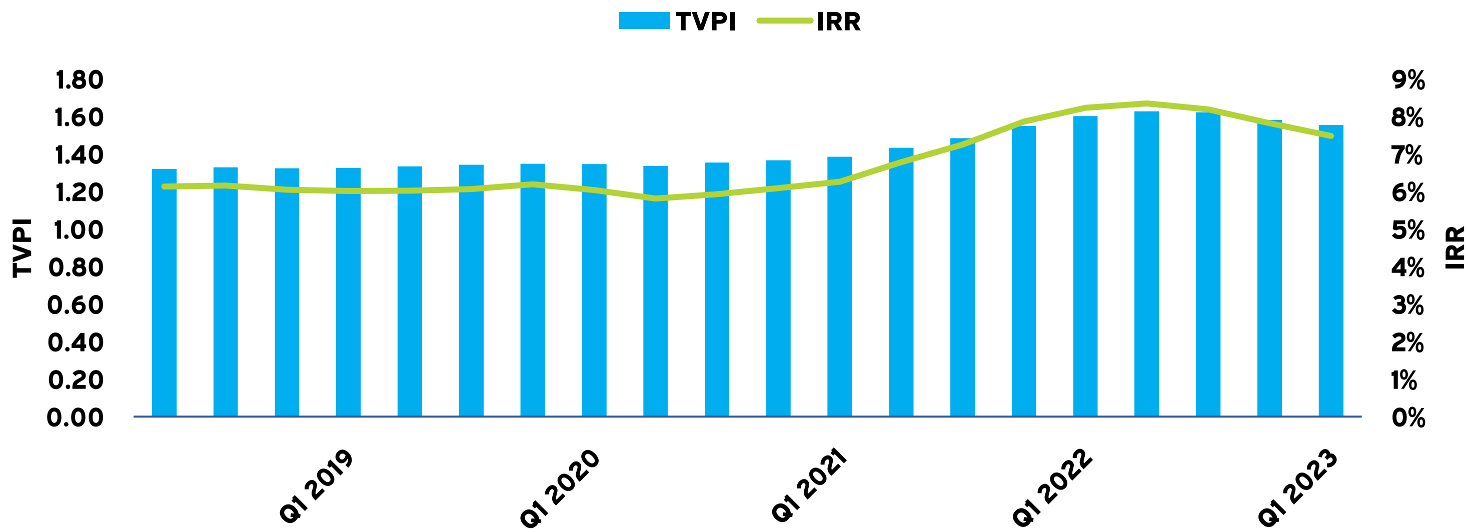
By Strategy

Group	Number	Committed ($ M)	Contributed ($ M)	Unfunded ($ M)	Distributed ($ M)	Remaining Value ($ M)	Exposure ($ M)	DPI (X)	TVPI (X)	IRR (%)
Core	4	170.5	127.7	50.0	34.6	231.8	281.8	0.27	2.09	8.5
Opportunistic	9	204.1	182.3	23.2	222.7	26.8	50.0	1.22	1.37	5.9
Value-Added	6	177.0	148.9	33.3	135.7	61.5	94.7	0.91	1.32	8.6
Total	**19**	**551.6**	**458.9**	**106.5**	**393.0**	**320.0**	**426.5**	**0.86**	**1.55**	**7.5**

By Vintage

Group	Number	Committed ($ M)	Contributed ($ M)	Unfunded ($ M)	Distributed ($ M)	Remaining Value ($ M)	Exposure ($ M)	DPI (X)	TVPI (X)	IRR (%)
Open-end Fund	4	170.5	127.7	50.0	34.6	231.8	281.8	0.27	2.09	8.5
2005	1	15.0	14.5	0.5	17.6	0.0	0.5	1.21	1.21	3.4
2006	1	30.0	30.0	0.0	20.4	1.0	1.0	0.68	0.71	-3.6
2007	4	96.0	84.0	12.0	115.9	6.8	18.8	1.38	1.46	7.4
2011	2	50.0	38.3	11.7	47.3	4.1	15.8	1.24	1.34	9.4
2012	2	36.0	33.9	2.9	49.0	0.0	2.9	1.45	1.45	12.5
2013	1	19.1	18.3	0.8	30.2	1.7	2.5	1.65	1.75	13.4
2014	1	20.0	19.0	1.8	14.7	8.7	10.5	0.77	1.23	5.0
2017	2	75.0	65.7	10.8	56.9	40.4	51.2	0.87	1.48	16.7
2020	1	40.0	27.6	16.0	6.4	25.6	41.6	0.23	1.16	11.5
Total	**19**	**551.6**	**458.9**	**106.5**	**393.0**	**320.0**	**426.5**	**0.86**	**1.55**	**7.5**

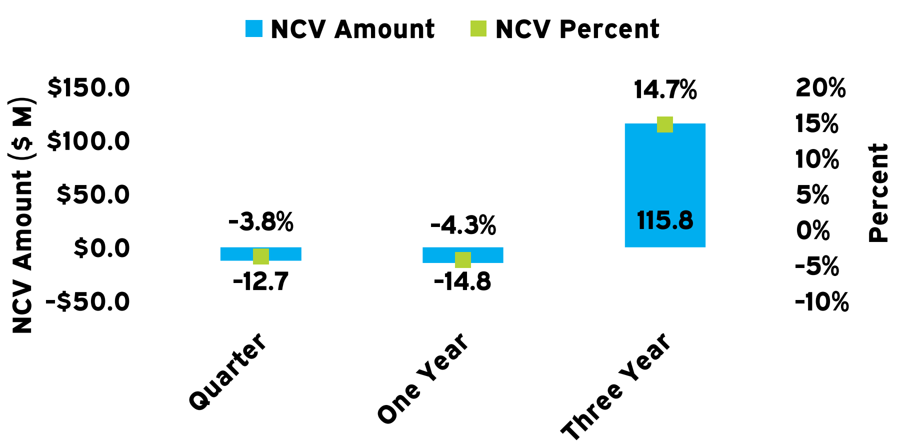
Since Inception Performance Over Time



Horizon IRRs

	1 Year (%)	3 Year (%)	5 Year (%)	10 Year (%)	Since Inception (%)
Aggregate Portfolio	-4.3	14.2	10.9	11.1	7.5
Public Market Equivalent	-24.7	6.5	0.1	0.7	2.0

Periodic NCV



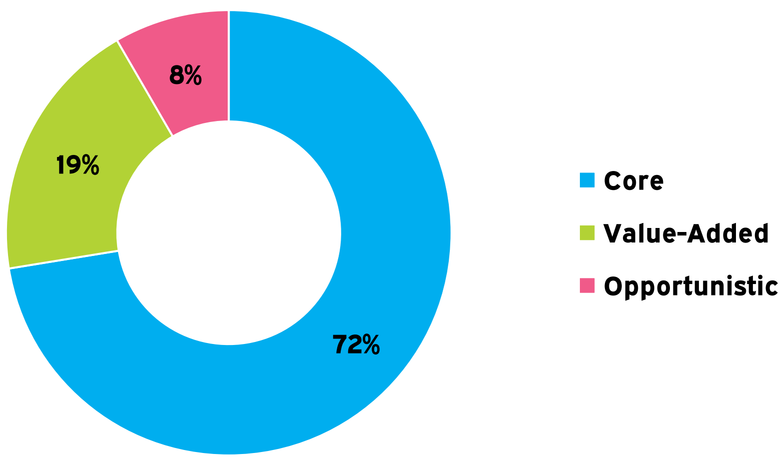
1 Quarter Drivers Of NCV

Fund Performance: Sorted By Vintage And Strategy

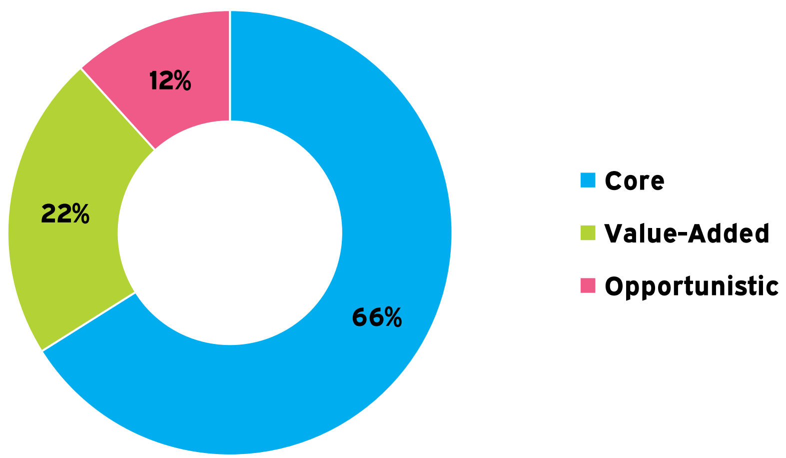
By Investment	Vintage	Strategy	Committed ($ M)	Contributed ($ M)	Unfunded ($ M)	Distributed ($ M)	Remaining Value ($ M)	TVPI (X)	Peer TVPI (X)	IRR (%)	Peer IRR (%)
AEW EHF		Core	50.0	0.0	50.0	0.0	0.0	NM	NM	NM	NM
Principal US		Core	25.0	25.0	0.0	0.0	42.4	1.70	NM	7.5	NM
Prologis Logistics		Core	50.5	57.7	0.0	23.8	130.4	2.67	NM	9.0	NM
RREEF America II		Core	45.0	45.0	0.0	10.8	59.0	1.55	NM	7.3	NM
Miller GLobal Fund V	2005	Opportunistic	15.0	14.5	0.5	17.6	0.0	1.21	NM	3.4	NM
Walton Street V	2006	Opportunistic	30.0	30.0	0.0	20.4	1.0	0.71	NM	-3.6	NM
Greenfield V	2007	Opportunistic	30.0	29.6	0.4	40.4	0.2	1.37	NM	8.3	NM
Miller Global VI	2007	Opportunistic	30.0	21.1	8.9	33.4	0.0	1.58	NM	7.7	NM
Walton Street VI	2007	Opportunistic	15.0	13.3	1.7	15.2	6.5	1.64	NM	8.4	NM
Colony Realty III	2007	Value-Added	21.0	20.0	1.0	26.9	0.0	1.35	NM	5.3	NM
Greenfield VI	2011	Opportunistic	20.0	19.2	0.8	26.2	0.0	1.37	NM	9.6	NM
Almanac Realty VI	2011	Value-Added	30.0	19.1	10.9	21.2	4.1	1.32	NM	9.2	NM
Miller Global VII	2012	Opportunistic	15.0	12.1	2.9	16.1	0.0	1.33	NM	14.4	NM
Colony Realty IV	2012	Value-Added	21.0	21.7	0.0	32.9	0.0	1.51	NM	11.9	NM
Greenfield VII	2013	Opportunistic	19.1	18.3	0.8	30.2	1.7	1.75	NM	13.4	NM
AG Core Plus IV	2014	Value-Added	20.0	19.0	1.8	14.7	8.7	1.23	NM	5.0	NM
Greenfield VIII	2017	Opportunistic	30.0	24.3	7.2	23.3	17.3	1.67	NM	22.8	NM
Stockbridge RE III	2017	Value-Added	45.0	41.4	3.6	33.7	23.1	1.37	NM	13.0	NM
Berkeley V	2020	Value-Added	40.0	27.6	16.0	6.4	25.6	1.16	NM	11.5	NM
Total			**551.6**	**458.9**	**106.5**	**393.0**	**320.0**	**1.55**	**NM**	**7.5**	**NM**

By Strategy

Percent of FMV

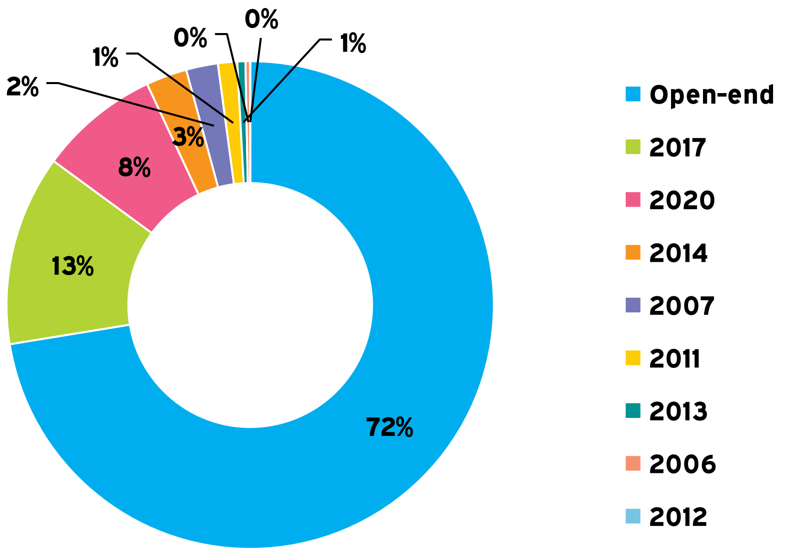


Percent of Exposure

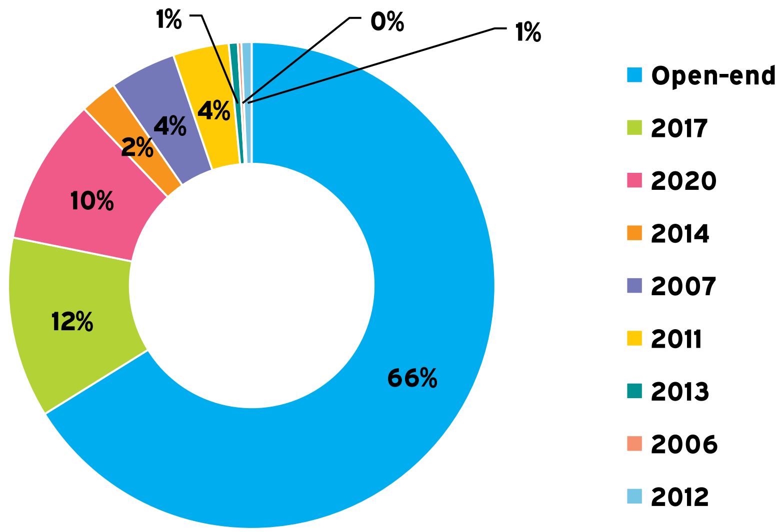


By Vintage

Percent of FMV

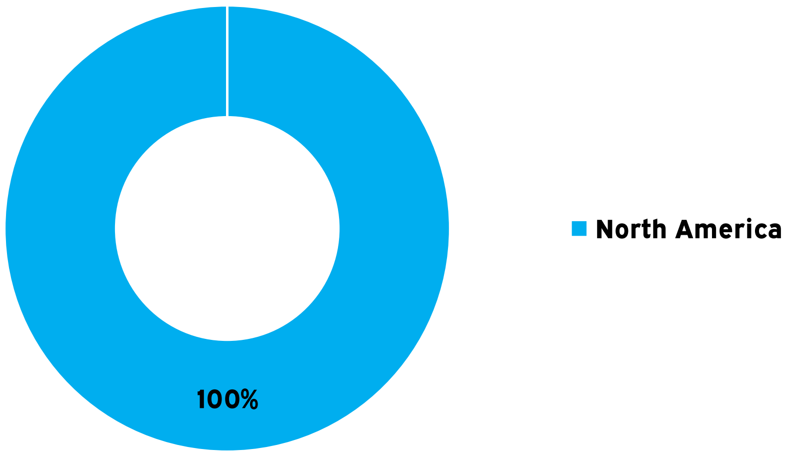


Percent of Exposure

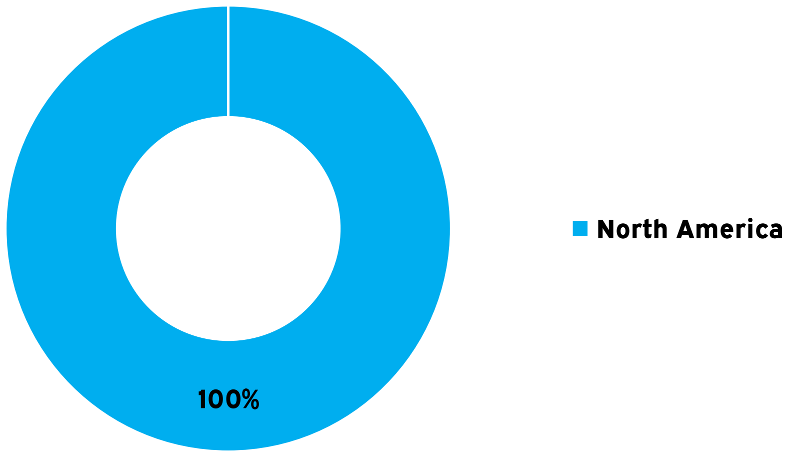


By Geographic Focus

Percent of FMV



Percent of Exposure



Below are details on specific terminology and calculation methodologies used throughout this report:

Committed	The original commitment amount made to a given fund. Some funds may be denominated in non-USD currencies, and such commitment amounts represent the sum of fund contributions translated to USD at their daily conversion rates plus the unfunded balance translated at the rate as of the date of this report.
Contributed	The amount of capital called by a fund manager against the commitment amount. Contributions may be used for new or follow-on investments, fees, and expenses, as outlined in each fund's limited partnership agreement. Some capital distributions from funds may reduce contributed capital balances. Some funds may be denominated in non-USD currencies, and such aggregate contributions represent the sum of each fund contribution translated to USD at its daily conversion rate.
Distributed	The amount of capital returned from a fund manager for returns of invested capital, profits, interest, and other investment related income. Some distributions may be subject to re-investment, as outlined in each fund's limited partnership agreement. Some funds may be denominated in non-USD currencies, and such aggregate distributions represent the sum of each fund distribution translated to USD at its daily conversion rate.
DPI	Acronym for "Distributed-to-Paid-In", which is a performance measurement for Private Market investments. The performance calculation equals Distributed divided by Contributed. DPIs for funds and groupings of funds are net of all fund fees and expenses as reported to by fund managers to Meketa.
Exposure	Represents the sum of the investor's Unfunded and Remaining Value.
IRR	Acronym for "Internal Rate of Return", which is a performance measurement for Private Market investments. IRRs are calculated by Meketa based on daily cash flows and Remaining Values as of the date of this report. IRRs for funds and groupings of funds are net of all fund fees and expenses as reported by fund managers to Meketa.
NCV	Acronym for "Net Change in Value", which is a performance measurement for Private Market investments. The performance calculation equals the appreciation or depreciation over a time period neutralized for the impact of cash flows that occurred during the time period.
NM	Acronym for "Not Meaningful", which indicates that a performance calculation is based on data over too short a timeframe to yet be meaningful or not yet possible due to inadequate data. Meketa begins reporting IRR calculations for investments once they have reached more than two years since first capital call. NM is also used within this report in uncommon cases where the manager has reported a negative Remaining Value for an investment.

Peer Universe	The performance for a set of comparable private market funds. The peer returns used in this report are provided by Thomson ONE, based on data from Cambridge Associates as of the date of this report. Program-level peer universe performance represents the pooled return for a set of funds of corresponding vintages and strategies across all regions globally. Fund-level peer performance represents the median return for a set of funds of the same vintage and the program's set of corresponding strategies across all regions globally. Data sets that include less than five funds display performance as "NM". Meketa utilizes the following Thomson ONE strategies for peer universes: Infrastructure: Infrastructure Natural Resources: Private Equity Energy, Upstream Energy & Royalties, and Timber Private Debt: Subordinated Capital, Credit Opportunities, Senior Debt, and Control-Oriented Distressed Private Equity (including Private Debt): Venture Capital, Growth Equity, Buyout, Subordinated Capital, Credit Opportunities, Senior Debt, and Control-Oriented Distressed Private Equity (excluding Private Debt): Venture Capital, Growth Equity, and Buyout Real Assets (excluding Real Estate): Infrastructure, Private Equity Energy, Upstream Energy & Royalties, and Timber Real Assets (including Real Estate): Infrastructure, Private Equity Energy, Upstream Energy & Royalties, Timber, and Real Estate Real Estate: Real Estate
Public Market Equivalent ("PME")	A calculation methodology that seeks to compare the performance of a portfolio of private market investments with public market indices. The figures presented in this report are based on the PME+ framework, which represents a net IRR value based on the actual timing and size of the private market program's daily cash flows and the daily appreciation or depreciation of an equivalent public market index. Meketa utilizes the following indices for private market program PME+ calculations: Infrastructure: Dow Jones Brookfield Global Infrastructure Index Natural Resources: S&P Global Natural Resources Index Private Debt: Meryl Lynch High Yield Master II Bond Index Private Equity: MSCI ACWI Investable Market Index Real Assets (excluding Real Estate): Equal blend of Dow Jones Brookfield Global Infrastructure Index and S&P Global Natural Resources Index Real Assets (including Real Estate): Equal blend of Dow Jones Brookfield Global Infrastructure Index, S&P Global Natural Resources Index, and Dow Jones U.S. Select Real Estate Securities Index Real Estate: Dow Jones U.S. Select Real Estate Securities Index

Remaining Value	The investor's value as reported by a fund manager on the investor's capital account statement. All investor values in this report are as of the date of this report, unless otherwise noted. Some funds may be denominated in non-USD currencies, and such remaining values represent the fund's local currency value translated to USD at the rate as of the date of this report.
TVPI	Acronym for "Total Value-to-Paid-In", which is a performance measurement for Private Market investments. The performance calculations represents Distributed plus Remaining Value, then divided by Contributed. TVPIs for funds and groupings of funds are net of all fund fees and expenses as reported to by fund managers to Meketa.
Unfunded	The remaining balance of capital that a fund manager has yet to call against a commitment amount. Meketa updates unfunded balances for funds to reflect all information provided by fund managers provided in their cash flow notices. Some funds may be denominated in non-USD currencies, and such unfunded balances represent the fund's local currency unfunded balance translated to USD at the rate as of the date of this report.

Economic and Market Update

Data as of June 30, 2023

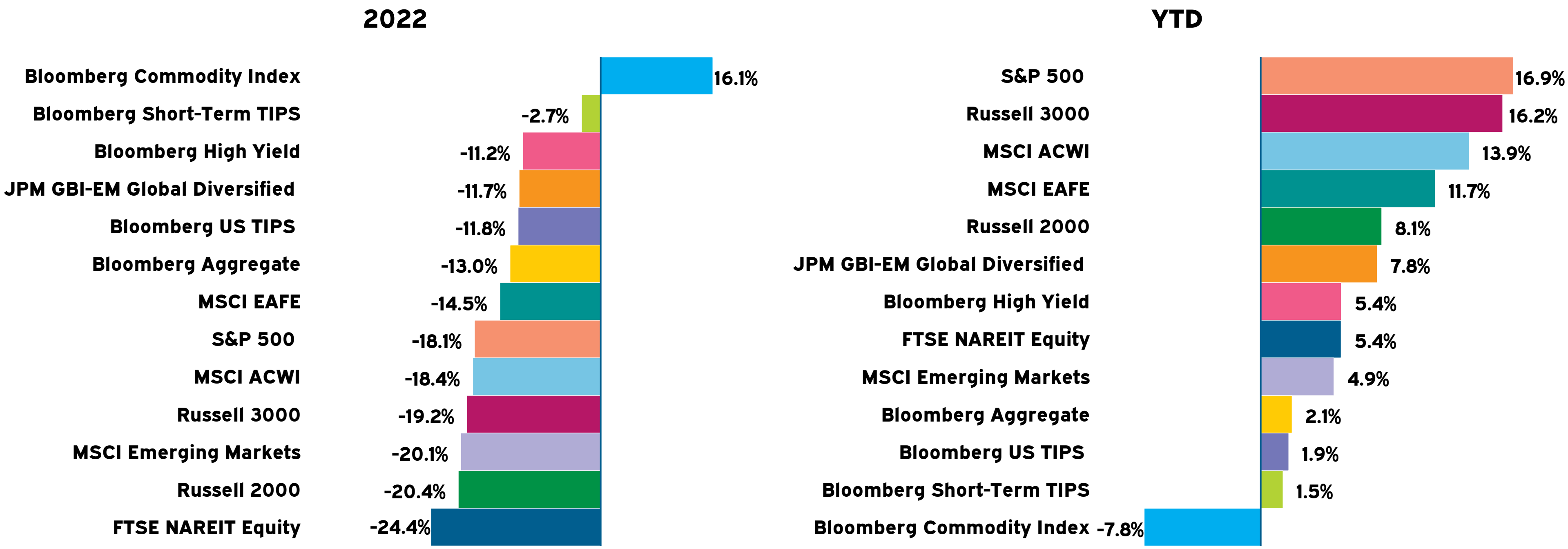
Commentary

→ Asset returns were positive in June with US and Non-US equities posting gains, while most fixed income sectors sold-off on expectations for further interest rate hikes later this year. Except for commodities, most public market asset classes remain up for the year.

- Although the Fed skipped a rate-hike in June, Fed comments signaled further rate hikes in the 2H 2023; the US economy appears to be resilient supporting domestic demand and low unemployment.
- US equity markets (Russell 3000) rose in June (+6.8%) adding to YTD gains (+16.2%). Some of the largest technology names drove positive results. Growth stocks continued to outpace value stocks, particularly in the large cap space.
- Non-US developed equity markets rose in June (MSCI EAFE 4.6%) falling behind US equities in 2023 (+16.2% versus +11.7%). A strengthening US dollar weighed on returns.
- Emerging market equities rose in June (+3.8%) supported by positive returns in China (+4.0%). They significantly trail developed market equities YTD returning +4.9%, due partly to higher US-China tensions.
- Rates generally rose in June leading to bond markets declining, with the broad US bond market (Bloomberg Aggregate) falling 0.4% for the month. It remains positive (+2.1%) year-to-date, though, on declining inflation and expectations for the Fed to end their rate hikes soon.

→ This year, the paths of inflation and monetary policy, slowing global growth and the war in Ukraine will all be key.

Index Returns[1]



→ After a particularly difficult 2022, most public market assets are up thus far in 2023, building on gains from the fourth quarter of last year.

→ Risk sentiment has been supported by expectations that policy tightening could be ending soon, as inflation continues to fall, and growth has slowed.

[1] Source: Bloomberg and FactSet. Data is as of June 30, 2023.

Domestic Equity Returns[1]

Domestic Equity	June (%)	Q2 (%)	YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)
S&P 500	6.6	8.7	16.9	19.6	14.6	12.3	12.8
Russell 3000	6.8	8.4	16.2	19.0	13.9	11.4	12.3
Russell 1000	6.8	8.6	16.7	19.4	14.1	11.9	12.6
Russell 1000 Growth	6.8	12.8	29.0	27.1	13.7	15.1	15.7
Russell 1000 Value	6.6	4.1	5.1	11.5	14.3	8.1	9.2
Russell MidCap	8.3	4.8	9.0	14.9	12.5	8.4	10.3
Russell MidCap Growth	7.7	6.2	15.9	23.1	7.6	9.7	11.5
Russell MidCap Value	8.7	3.9	5.2	10.5	15.0	6.8	9.0
Russell 2000	8.1	5.2	8.1	12.3	10.8	4.2	8.2
Russell 2000 Growth	8.3	7.1	13.6	18.5	6.1	4.2	8.8
Russell 2000 Value	7.9	3.2	2.5	6.0	15.4	3.5	7.3

US Equities: Russell 3000 Index rose 8.4% in the second quarter and 16.2% YTD.

→ US stocks rose sharply in the second quarter of 2023. Most of the gains came in the month of June when the Fed kept its target rate unchanged for the first time since early 2022. Investors are expressing optimism that the Fed can tame inflation without widespread disruptions to the equity markets.

→ With the exception of energy and utilities, each sector of the Russell 3000 index appreciated during the second quarter. Technology led all sectors and was driven by enthusiasm for growth stocks, particularly those with exposure to artificial intelligence (e.g., NVIDIA).

→ Large cap stocks continue to outperform small cap stocks, driven by technology and the underperformance of small cap biotechnology stocks. Growth stocks continue to broadly outperform value stocks.

[1] Source: Bloomberg. Data is as of June 30, 2023.

Foreign Equity Returns[1]

Foreign Equity	June (%)	Q2 (%)	YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)
MSCI ACWI ex. US	4.5	2.4	9.5	12.7	7.2	3.5	4.7
MSCI EAFE	4.6	3.0	11.7	18.8	8.9	4.4	5.4
MSCI EAFE (Local Currency)	3.6	4.3	12.1	17.5	11.7	6.4	7.7
MSCI EAFE Small Cap	2.9	0.6	5.5	10.2	5.7	1.3	6.2
MSCI Emerging Markets	3.8	0.9	4.9	1.8	2.3	0.9	2.9
MSCI Emerging Markets (Local Currency)	3.4	1.7	5.6	3.3	3.9	3.0	5.7
MSCI China	4.0	-9.7	-5.5	-16.8	-10.3	-5.3	3.0

Foreign Equity: Developed international equities (MSCI EAFE) rose 3.0% in the second quarter bringing the YTD results to +11.7%. Emerging market equities (MSCI EM) rose 0.9%. in the quarter, rising 4.9% YTD.

→ Eurozone and Japan markets continued their strength in June, wrapping up a strong second quarter. In Europe, financials and IT led returns whereas energy and communication services lagged. Enthusiasm for AI helped company fundamentals and prices for semiconductor stocks. Headline inflation was down in June, although core inflation was up slightly month over month. Energy and materials were the main drivers for falling UK equities, along with Bank of England rate hikes. Optimism continues to build for Japanese investors, while the Yen remains weak, and Bank of Japan remains dovish.

→ Emerging markets were laggards as China equities struggled from weak export demands and rising negative sentiments. Brazil, India, and Taiwan are bright spots in EM, the former due to good earnings and macro, the latter from AI and IT strength.

[1] Source: Bloomberg. Data is as of June 30, 2023.

Fixed Income Returns[1]

Fixed Income	June (%)	Q2 (%)	YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Current Yield (%)	Duration (Years)
Bloomberg Universal	-0.2	-0.6	2.3	0.0	-3.4	1.0	1.8	5.2	6.3
Bloomberg Aggregate	-0.4	-0.8	2.1	-0.9	-4.0	0.8	1.5	4.8	6.5
Bloomberg US TIPS	-0.3	-1.4	1.9	-1.4	-0.1	2.5	2.1	4.6	6.8
Bloomberg Short-term TIPS	-0.2	-0.7	1.5	0.1	2.3	2.7	1.7	5.3	2.5
Bloomberg High Yield	1.7	1.7	5.4	9.1	3.1	3.4	4.4	8.5	4.1
JPM GBI-EM Global Diversified (USD)	3.3	2.5	7.8	11.4	-1.4	0.3	-0.6	6.6	5.0

Fixed Income: The Bloomberg Universal declined 0.6% in the second quarter as global sovereign debt yields generally rose. Bonds retained a positive start to the year (+2.3% YTD) though as inflation continues to decline.

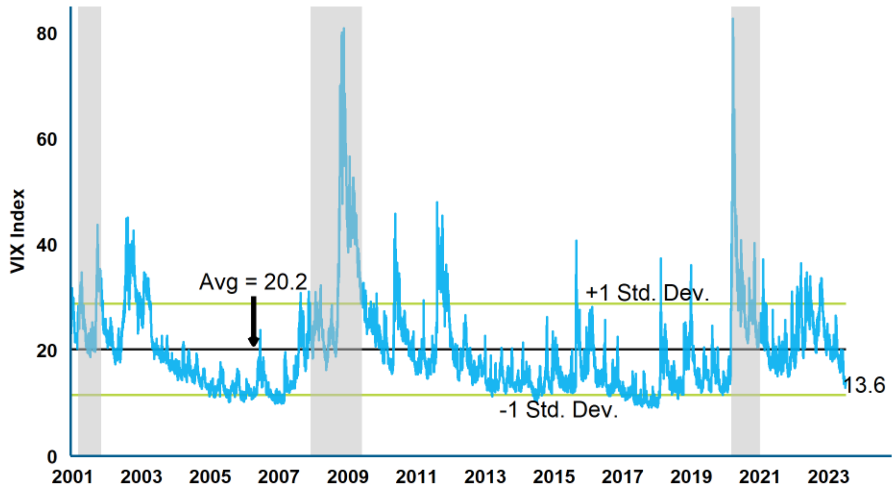
→ US Treasury yields generally rose over the month, with 1-year to 10-year maturity sector rising the most due to higher policy expectations.

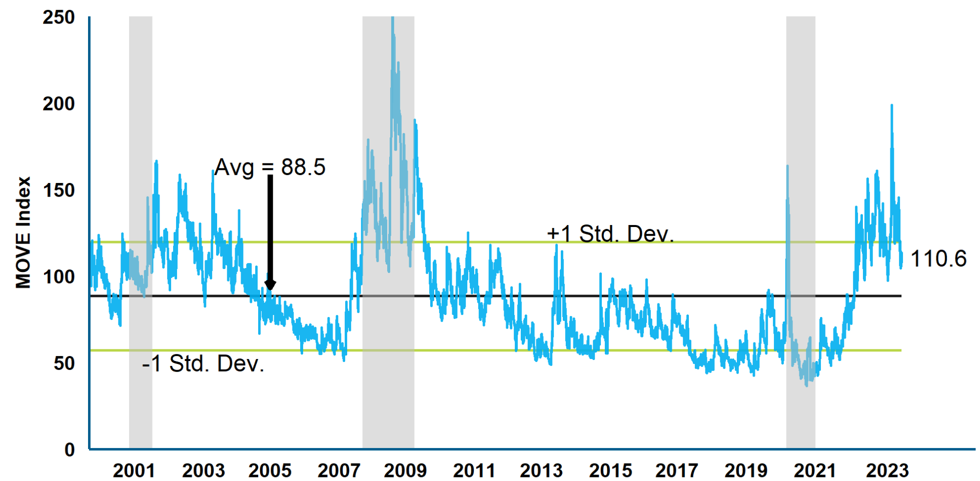
→ The TIPS index and the short-term TIPS index posted negative returns for the month as inflation concerns continued to ease.

→ Continued risk appetite drove high yield bond performance (1.7%) and outperformance versus the broad US bond market (Bloomberg Aggregate). Emerging market bonds (3.3%) also performed well on investor risk sentiment.

[1] Source: Bloomberg. JPM GBI-EM data is from InvestorForce. Data is as of June 30, 2023. The yield and duration data from Bloomberg is defined as the index's yield to worst and modified duration respectively.

Equity and Fixed Income Volatility[1]



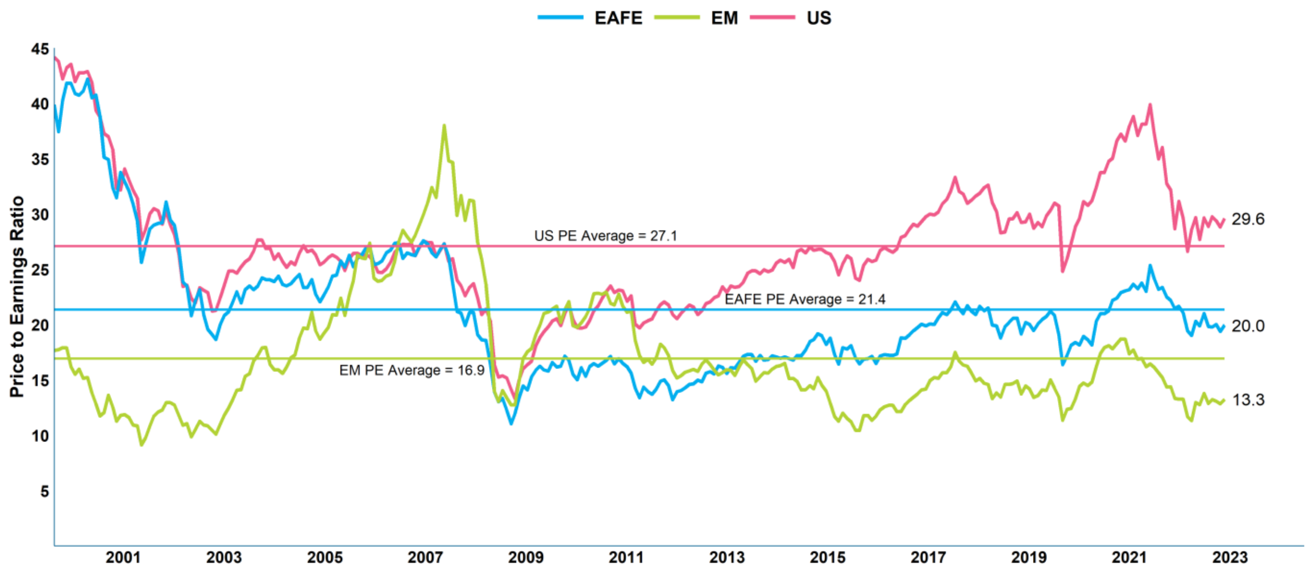


→ Volatility in equities (VIX) declined in June and remains low as investors continue to anticipate the end of the Fed's policy tightening.

→ In comparison, the bond market remains on edge after last year's historic losses and continued volatility in interest rates this year due to policy uncertainty and issues in the banking sector. The MOVE (fixed income volatility) remains well above (110.6) its long-run average (88.4), but off its recent peak during the heart of the banking crisis.

[1] Equity and Fixed Income Volatility – Source: Bloomberg. Implied volatility as measured using VIX Index for equity markets and the MOVE Index to measure interest rate volatility for fixed income markets. Data is as of June 2023. The average line indicated is the average of the VIX and MOVE values between January 2000 and June 2023.

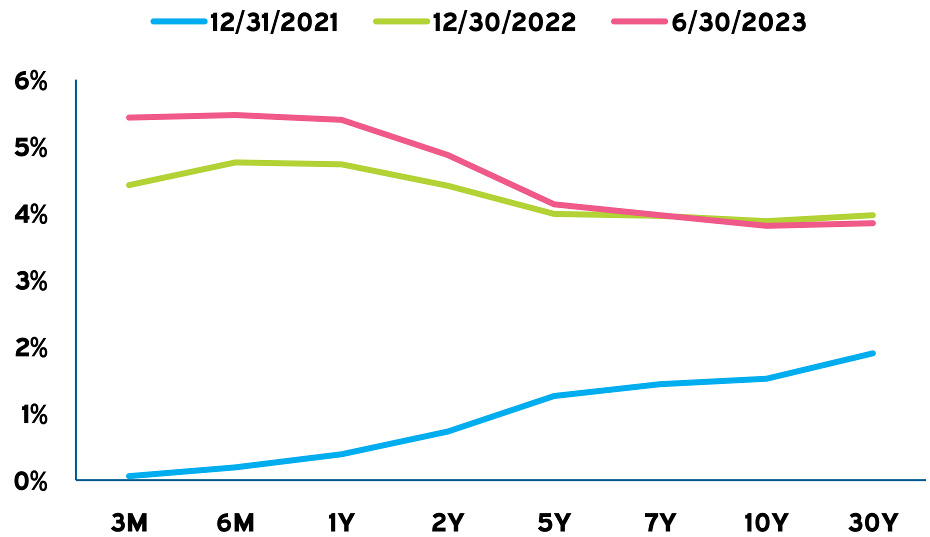
Equity Cyclically Adjusted P/E Ratios[1]



- → After its dramatic decline last year the US equity price-to-earnings ratio remains above its long-run (21st century) average.
- → International developed market valuations are below their own long-term average, with those for emerging markets the lowest and well under the long-term average.

[1] US Equity Cyclically Adjusted P/E on S&P 500 Index. Source: Robert Shiller, Yale University, and Meketa Investment Group. Developed and Emerging Market Equity (MSCI EAFE and EM Index) Cyclically Adjusted P/E – Source: MSCI and Bloomberg. Earnings figures represent the average of monthly "as reported" earnings over the previous ten years. Data is as of June 2023. The average line is the long-term average of the US, EM, and EAFE PE values from December 1999 to the recent month-end respectively.

US Yield Curve[1]

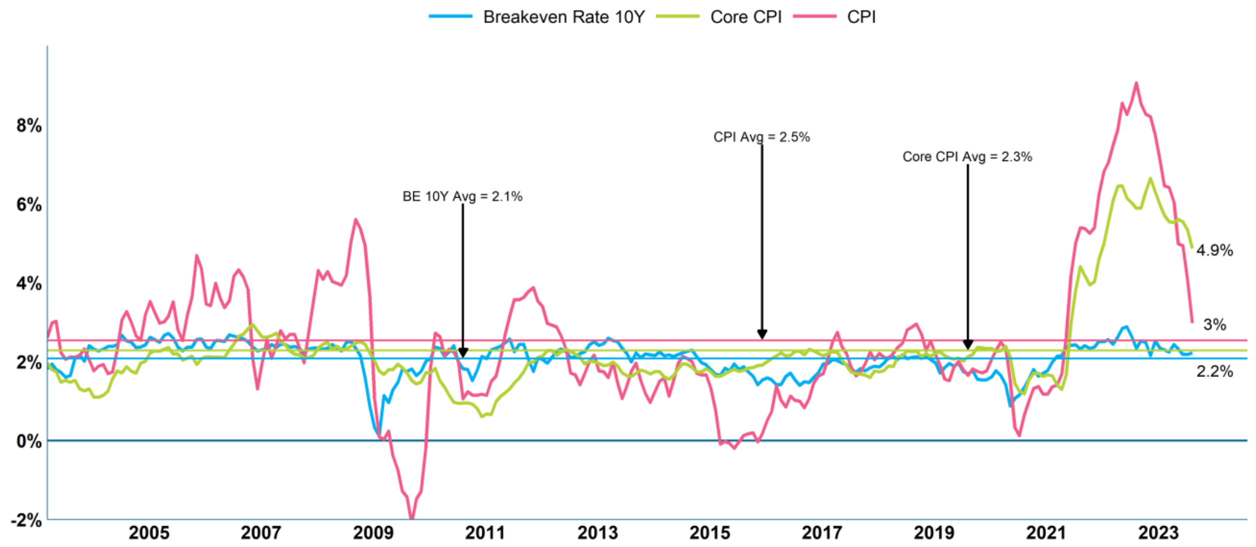


→ Interest rates have started rising again across the curve given policy maker guidance that policy rates are likely to rise further and potentially stay longer at the terminal rate than market participants expect. The rise in rates was particularly acute at the very front-end (< 1 year). Maturities from two years out also drifted higher as market participants considered the possibility of additional policy rate increases as economic data (mainly inflation and labor markets) remains strong.

→ The yield curve remains inverted with the spread between two-year and ten-year Treasuries finishing the month at -1.06%. The more closely watched measure (by the Fed) of the three-month and ten-year Treasuries spread also remained inverted at -1.62%. Inversions in the yield curve have often preceded recessions.

[1] Source: Bloomberg. Data is as of June 30, 2023.

Ten-Year Breakeven Inflation and CPI[1]



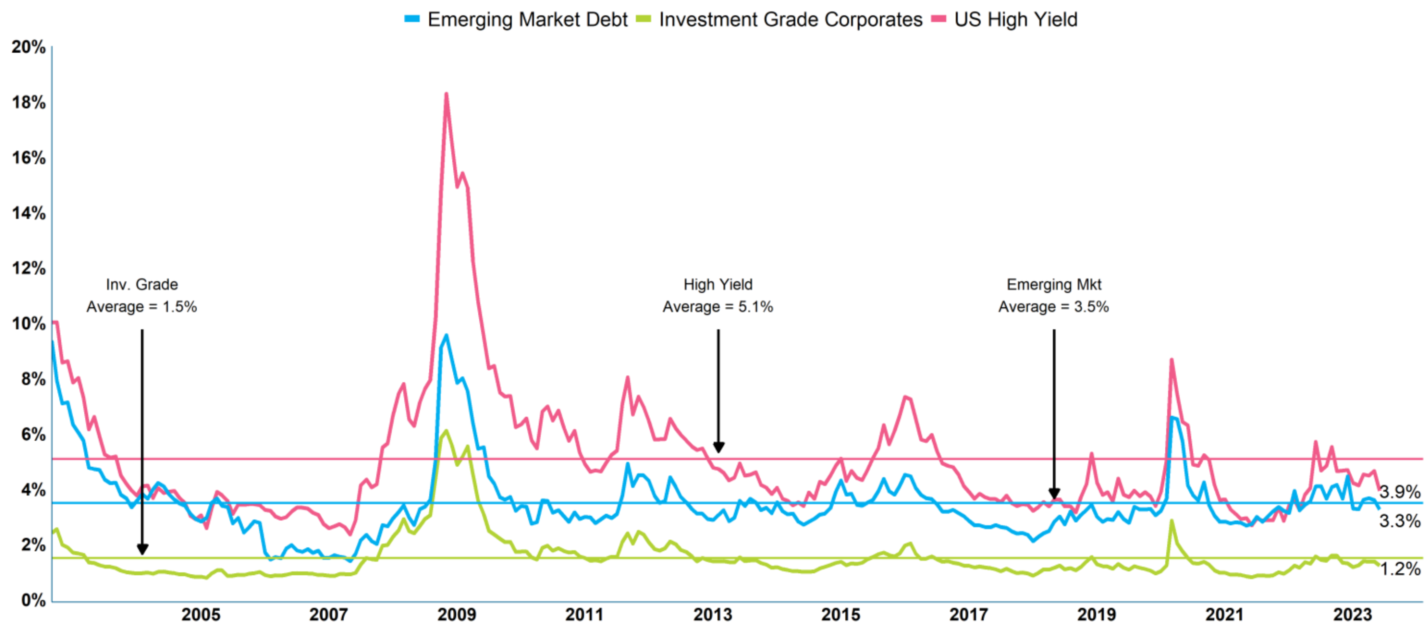
→ Headline inflation continued to decline in June, with the year-over-year reading falling from 4.0% to 3.0% and coming in slightly below estimates. The month-over-month rate of price increases rose slightly (0.2% versus 0.1%), with food prices ticking up slightly (0.1%) and energy prices rose (0.6%).

→ Core inflation – excluding food and energy - fell (5.3% to 4.9%), coming in slightly above forecasts. It remains stubbornly high driven by shelter costs.

→ Inflation expectations (breakevens) remain well below current inflation as investors continue to expect inflation to track back toward the Fed's 2% average target.

[1] Source: Bloomberg. Data is as June 30, 2023. The CPI and 10 Year Breakeven average lines denote the average values from August 1998 to the present month-end, respectively. Breakeven values represent month-end values for comparative purposes.

Credit Spreads vs. US Treasury Bonds[1]

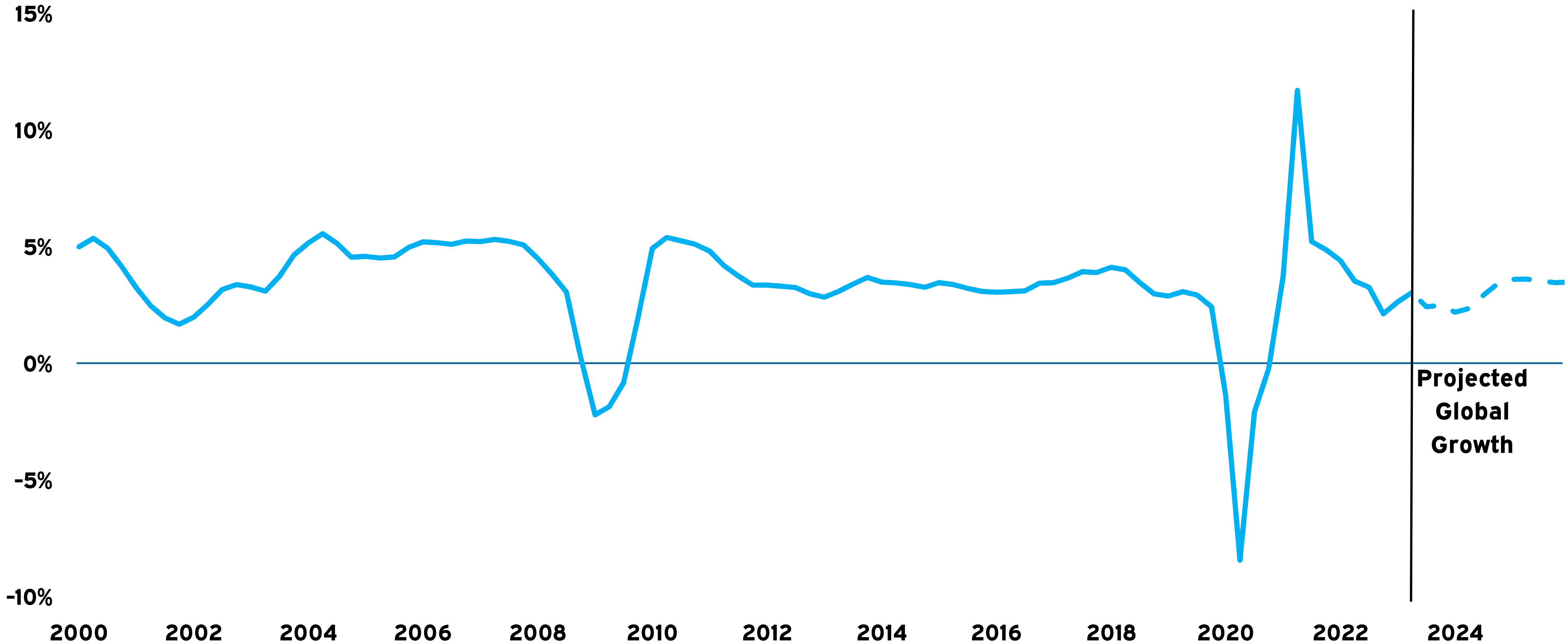


→ Spreads (the added yield above a comparable maturity Treasury) declined in June as risk appetite remained robust for respective credit exposures.

→ High yield spreads remain below their long-term average. Investment grade spreads and emerging market spreads are narrower than high yield spreads and close to their respective long-term averages.

[1] Sources: Bloomberg. Data is as of June 30, 2023. Average lines denote the average of the investment grade, high yield, and emerging market spread values from August 2000 to the recent month-end, respectively.

Global Real Gross Domestic Product (GDP) Growth[1]

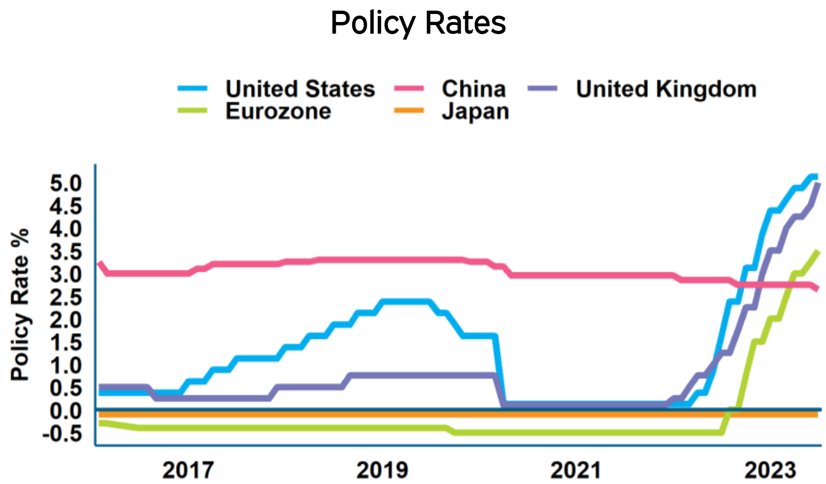


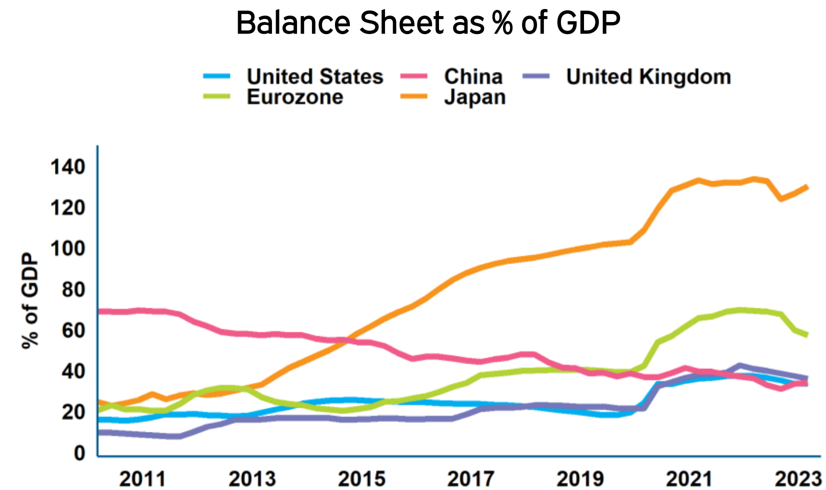
→ Global economies are expected to slow this year compared to 2022, with risks of recession as the impacts of policymakers' aggressive tightening to fight inflation flow through economies.

→ The delicate balancing act of central banks trying to reduce inflation without dramatically depressing growth will remain key.

[1] Source: Oxford Economics (World GDP, US$ prices & PPP exchange rate, real, % change YoY). Updated June 2023.

Central Bank Response[1]





→ In 2022, many central banks aggressively reduced pandemic-era policy support in the face of high inflation, with the US taking the most aggressive approach. Slowing inflation and growth have led to expectations for reductions in policy tightening going forward.

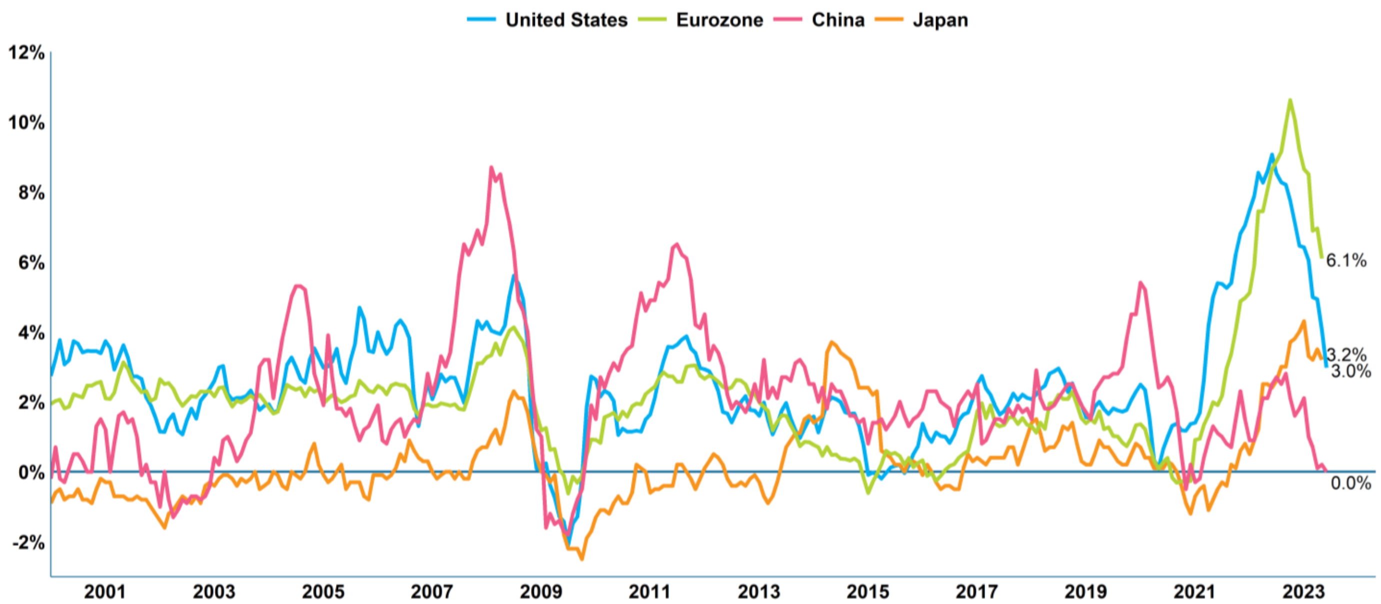
→ In May the Fed raised rates another 25 basis points to a range of 5.0% to 5.25%. After month-end, the FOMC paused its tightening campaign but hinted that one or two additional rate hikes could come later this year.

→ In China, the central bank has continued to cut interest rates and inject liquidity into the banking system, as weaker than expected economic data appears to indicate a widespread slowdown.

→ Looking ahead, risks remain for a policy error as central banks attempt to balance multiple goals, bringing down inflation, maintaining financial stability, and supporting growth.

[1] Source: Bloomberg. Policy rate data is as of June 30, 2023. China policy rate is defined as the medium-term lending facility 1 year interest rate. Balance sheet as % of GDP is based on quarterly data and is as of March 31, 2023.

Inflation (CPI Trailing Twelve Months)[1]



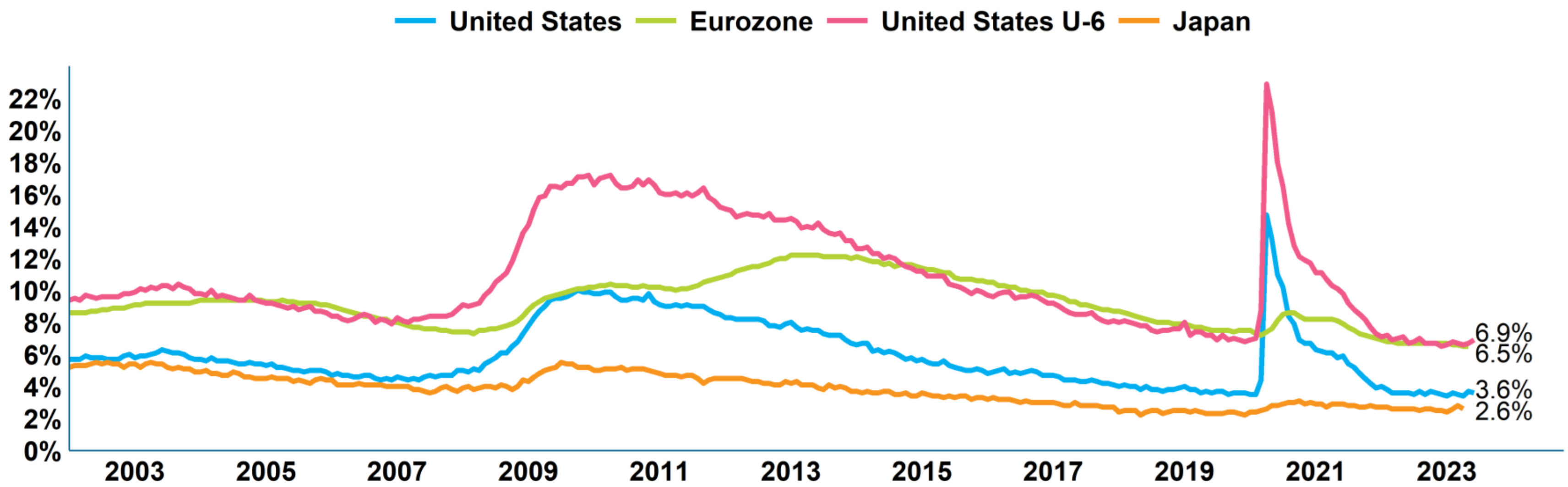
→ Inflation pressures continued to decline globally due to the easing of supply chain issues from the pandemic, declining energy prices, and tighter monetary policy.

→ In the US, inflation fell to 3.0% at month-end, while eurozone inflation also fell (6.1% from 7.0%) a level well off its peak. Despite 2023's significant declines in the US and Europe, inflation levels remain elevated compared to central bank targets.

→ Inflation remains lower in China and Japan. In China, inflation levels were only slightly above 0% at month-end as the reopening of their economy has led to an uneven economic recovery.

[1] Source: Bloomberg. Data is as June 30, 2023. The most recent Japanese inflation data is as of May 2023.

Unemployment[1]



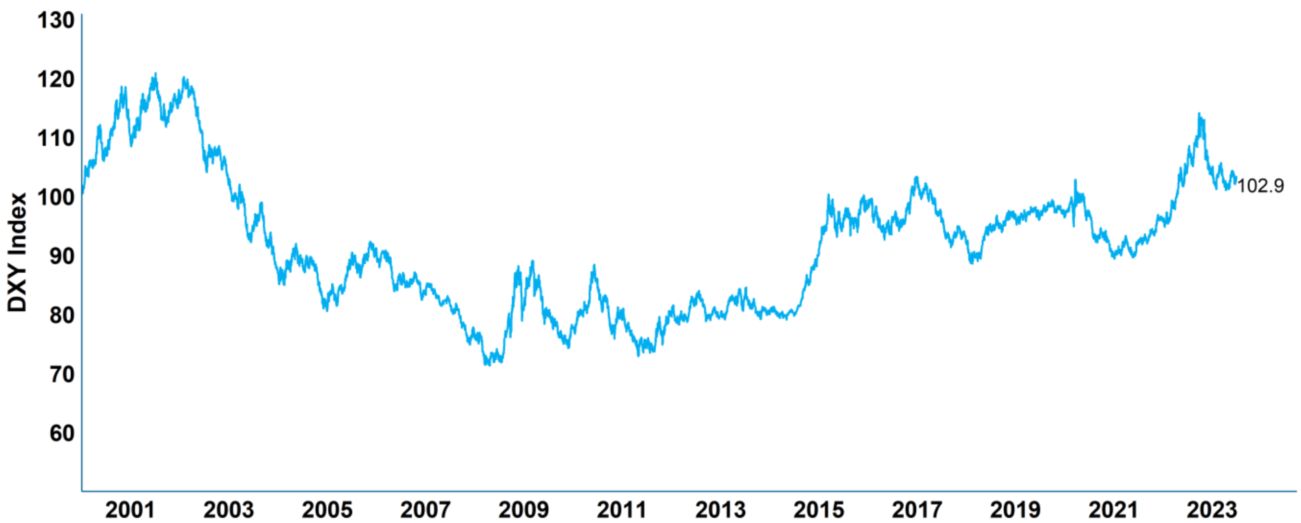
→ Despite slowing growth and high inflation, the US labor market still shows signs of resiliency. Unemployment in the US, which experienced the steepest rise, recently returned to pre-pandemic levels. Broader measures of unemployment (U-6) remain higher at 6.9% but also declined dramatically from their peak.

→ The strong labor market and higher wages, although beneficial for workers, motivates the Fed's efforts to fight inflation, leading to higher unemployment.

→ Unemployment in Europe has also declined but remains higher than the US, while levels in Japan have been flat through the pandemic given less layoffs.

[1] Source: Bloomberg. Data is as June 30, 2023, for the US. The most recent data for Eurozone and Japanese unemployment is as of May 2023.

US Dollar versus Broad Currencies[1]



- → The dollar finished 2022 much higher than it started, due to the increased pace of policy tightening, stronger relative growth, and safe-haven flows.
- → Late last year and into this year, the dollar declined, as weaker economic data and lower inflation led to investors anticipating the end of Fed tightening. In June, we did see a slight decline in the dollar though.
- → This year, the track of inflation across economies and the corresponding monetary policies will be key drivers of currency moves.

[1] Source: Bloomberg. Data as of June 30, 2023.

Summary

Key Trends:

→ The impacts of still relatively high inflation will remain key, with bond market volatility likely to stay high.

→ Recent issues related to the banking sector seem to have subsided for now but are a reminder that there is a delicate balance for central banks to continue to fight inflation but also to try to maintain financial stability.

→ Global monetary policies could diverge in 2023. The risk of policy errors remains elevated as central banks try to reduce persistent inflation while not tipping their economies into recession.

→ Growth is expected to slow globally this year, with many economies forecast to tip into recession. Inflation, monetary policy, and the war will all be key.

→ In the US, consumers could feel pressure as certain components of inflation remain high (e.g., shelter), borrowing cost are elevated, and the job market may weaken.

→ The key for US equities going forward will be whether earnings can remain resilient if growth continues to slow.

→ Equity valuations remain lower in both emerging and developed markets, but risks remain, including potential continued strength in the US dollar, higher inflation weighing particularly on Europe, and China's sluggish economic reopening and on-going weakness in the real estate sector.

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Credit Risk: Refers to the risk that the issuer of a fixed income security may default (i.e., the issuer will be unable to make timely principal and/or interest payments on the security).

Duration: Measure of the sensitivity of the price of a bond to a change in its yield to maturity. Duration summarizes, in a single number, the characteristics that cause bond prices to change in response to a change in interest rates. For example, the price of a bond with a duration of three years will rise by approximately 3% for each 1% decrease in its yield to maturity. Conversely, the price will decrease 3% for each 1% increase in the bond's yield. Price changes for two different bonds can be compared using duration. A bond with a duration of six years will exhibit twice the percentage price change of a bond with a three-year duration. The actual calculation of a bond's duration is somewhat complicated, but the idea behind the calculation is straightforward. The first step is to measure the time interval until receipt for each cash flow (coupon and principal payments) from a bond. The second step is to compute a weighted average of these time intervals. Each time interval is measured by the present value of that cash flow. This weighted average is the duration of the bond measured in years.

Information Ratio: This statistic is a measure of the consistency of a portfolio's performance relative to a benchmark. It is calculated by subtracting the benchmark return from the portfolio return (excess return), and dividing the resulting excess return by the standard deviation (volatility) of this excess return. A positive information ratio indicates outperformance versus the benchmark, and the higher the information ratio, the more consistent the outperformance.

Jensen's Alpha: A measure of the average return of a portfolio or investment in excess of what is predicted by its beta or "market" risk. Portfolio Return- [Risk Free Rate+Beta*(market return-Risk Free Rate)].

Market Capitalization: For a firm, market capitalization is the total market value of outstanding common stock. For a portfolio, market capitalization is the sum of the capitalization of each company weighted by the ratio of holdings in that company to total portfolio holdings; thus it is a weighted-average capitalization. Meketa Investment Group considers the largest 65% of the broad domestic equity market as large capitalization, the next 25% of the market as medium capitalization, and the smallest 10% of stocks as small capitalization.

Market Weighted: Stocks in many indices are weighted based on the total market capitalization of the issue. Thus, the individual returns of higher market-capitalization issues will more heavily influence an index's return than the returns of the smaller market-capitalization issues in the index.

Maturity: The date on which a loan, bond, mortgage, or other debt/security becomes due and is to be paid off.

Prepayment Risk: The risk that prepayments will increase (homeowners will prepay all or part of their mortgage) when mortgage interest rates decline; hence, investors' monies will be returned to them in a lower interest rate environment. Also, the risk that prepayments will slow down when mortgage interest rates rise; hence, investors will not have as much money as previously anticipated in a higher interest rate environment. A prepayment is any payment in excess of the scheduled mortgage payment.

Price-Book Value (P/B) Ratio: The current market price of a stock divided by its book value per share. Meketa Investment Group calculates P/B as the current price divided by Compustat's quarterly common equity. Common equity includes common stock, capital surplus, retained earnings, and treasury stock adjusted for both common and nonredeemable preferred stock. Similar to high P/E stocks, stocks with high P/B's tend to be riskier investments.

Price-Earnings (P/E) Ratio: A stock's market price divided by its current or estimated future earnings. Lower P/E ratios often characterize stocks in low growth or mature industries, stocks in groups that have fallen out of favor, or stocks of established blue chip companies with long records of stable earnings and regular dividends. Sometimes a company that has good fundamentals may be viewed unfavorably by the market if it is an industry that is temporarily out of favor. Or a business may have experienced financial problems causing investors to be skeptical about is future. Either of these situations would result in lower relative P/E ratios. Some stocks exhibit above-average sales and earnings growth or expectations for above average growth. Consequently, investors are willing to pay more for these companies' earnings, which results in elevated P/E ratios. In other words, investors will pay more for shares of companies whose profits, in their opinion, are expected to increase faster than average. Because future events are in no way assured, high P/E stocks tend to be riskier and more volatile investments. Meketa Investment Group calculates P/E as the current price divided by the I/B/E/S consensus of twelve-month forecast earnings per share.

Quality Rating: The rank assigned a security by such rating services as Fitch, Moody's, and Standard & Poor's. The rating may be determined by such factors as (1) the likelihood of fulfillment of dividend, income, and principal payment of obligations; (2) the nature and provisions of the issue; and (3) the security's relative position in the event of liquidation of the company. Bonds assigned the top four grades (AAA, AA, A, BBB) are considered investment grade because they are eligible bank investments as determined by the controller of the currency.

Sharpe Ratio: A commonly used measure of risk-adjusted return. It is calculated by subtracting the risk free return (usually three-month Treasury bill) from the portfolio return and dividing the resulting excess return by the portfolio's total risk level (standard deviation). The result is a measure of return per unit of total risk taken. The higher the Sharpe ratio, the better the fund's historical risk adjusted performance.

STIF Account: Short-term investment fund at a custodian bank that invests in cash-equivalent instruments. It is generally used to safely invest the excess cash held by portfolio managers.

Standard Deviation: A measure of the total risk of an asset or a portfolio. Standard deviation measures the dispersion of a set of numbers around a central point (e.g., the average return). If the standard deviation is small, the distribution is concentrated within a narrow range of values. For a normal distribution, about two thirds of the observations will fall within one standard deviation of the mean, and 95% of the observations will fall within two standard deviations of the mean.

Style: The description of the type of approach and strategy utilized by an investment manager to manage funds. For example, the style for equities is determined by portfolio characteristics such as price-to-book value, price-to-earnings ratio, and dividend yield. Equity styles include growth, value, and core.

Tracking Error: A divergence between the price behavior of a position or a portfolio and the price behavior of a benchmark, as defined by the difference in standard deviation.

Yield to Maturity: The yield, or return, provided by a bond to its maturity date; determined by a mathematical process, usually requiring the use of a "basis book." For example, a 5% bond pays $5 a year interest on each $100 par value. To figure its current yield, divide $5 by $95—the market price of the bond—and you get 5.26%. Assume that the same bond is due to mature in five years. On the maturity date, the issuer is pledged to pay $100 for the bond that can be bought now for $95. In other words, the bond is selling at a discount of 5% below par value. To figure yield to maturity, a simple and approximate method is to divide 5% by the five years to maturity, which equals 1% pro rata yearly. Add that 1% to the 5.26% current yield, and the yield to maturity is roughly 6.26%.

$$\frac{5\%\ \text{(discount)}}{5\ \text{(yrs. to maturity)}} = \begin{array}{l}1\%\ \text{pro rata, plus}\\ 5.26\%\ \text{(current yield)}\end{array} = 6.26\%\ \text{(yield to maturity)}$$

Yield to Worst: The lowest potential yield that can be received on a bond without the issuer actually defaulting. The yield to worst is calculated by making worst-case scenario assumptions on the issue by calculating the returns that would be received if provisions, including prepayment, call, or sinking fund, are used by the issuer.

NCREIF Property Index (NPI): Measures unleveraged investment performance of a very large pool of individual commercial real estate properties acquired in the private market by tax-exempt institutional investors for investment purposes only. The NPI index is capitalization-weighted for a quarterly time series composite total rate of return.

NCREIF Fund Index - Open End Diversified Core Equity (NFI-ODCE): Measures the investment performance of 28 open-end commingled funds pursuing a core investment strategy that reflects funds' leverage and cash positions. The NFI-ODCE index is equal-weighted and is reported gross and net of fees for a quarterly time series composite total rate of return.

Sources: Investment Terminology, International Foundation of Employee Benefit Plans, 1999.
The Handbook of Fixed Income Securities, Fabozzi, Frank J., 1991

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Throughout this report, numbers may not sum due to rounding.

Returns for periods greater than one year are annualized throughout this report.

Values shown are in millions of dollars, unless noted otherwise.

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MEMORANDUM

TO: SJCERA Board of Retirement
FROM: Meketa Investment Group
DATE: September 8, 2023
RE: SJCERA Manager Certification Update: 2Q 2023 Overview and Responses

Summary of Responses

Meketa reviewed the SJCERA Quarterly Manager Certification Updates for the quarter ending June 30, 2023, from all funded managers. ***In Meketa's opinion, of the responses we have received, the manager information reported for the quarter presents no significant concerns to the SJCERA portfolio***. Meketa's opinion is based on the written responses and on Meketa's conversations with managers that reported senior investment personnel or management departures.

The managers' responses indicate that[1]:

→ All funded managers reported:

- Registered Investment Advisor in Good Standing, or are exempt,
- Compliance with Plan Investment Policy,
- Compliance with SJCERA's Manager Guidelines, or N/A,
- Reconciliation against the custodian, or N/A,
- Compliance with own internal risk management policies and procedures, and
- Delivered current ADV, SSAE-16 or equivalent Annual Financial Audits, as available.

→ Seven managers reported litigation or regulatory investigation information:
Almanac, Angelo Gordon, Blackrock, HPS, Loomis Sayles, Oaktree, and Prologis

→ Eight managers reported investment team changes:
Almanac, AQR, BlackRock, Crestline, Invesco, Parametric, Principal, and Stone Harbor

→ Nine managers reported material management changes:
AQR, BlackRock, Dodge & Cox, GQG, Graham, Invesco, Northern Trust, Oaktree, and Parametric

→ Three managers reported material business changes:
Angelo Gordon, AQR, and Parametric

→ Bridgewater, Davidson Kempner, Lightspeed Partners, PIMCO, and White Oak did not respond to the survey.

[1] Managers' responses to footnoted ("*") questions begin on page 6.

SJCERA Overview of Investment Mgr. Compliance Report

Manager	Sub-Segment	Q1 RIA in Good Standing; RIA	Q2 Complied with Plan Investment Policy	Q3 Complied w/ Mgr. Guidelines	Q4 Reconciled With Custodian	Q5 Litigation	Q6 Investment Personnel Changes	Q7 Mgmt. Changes	Q8 Material Business Changes	Q9 Complied Internal Risk Mgmt.	Q10 Sent Fncl Stmnts
Aggressive Growth											
BlackRock	Global Infrastructure	Yes	Yes	Yes	N/A	Yes*	Yes*	Yes*	No	Yes	Yes
BlackRock	Global Energy and Power	Yes	Yes	Yes	N/A	Yes*	Yes*	Yes*	No	Yes	Yes
Ocean Avenue	PE Buyout FOF	Yes	Yes	Yes	N/A	No	No	No	No	Yes	Yes
Lightspeed Venture Partners***	Growth Stage VC	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Morgan Creek	Multi-Strat FOF	Yes	Yes	Yes	N/A	No	No	No	No	Yes	Yes
Stellex Capital Partners	PE Special Situations	Yes	Yes	Yes	N/A	No	No	No	No	Yes	Yes
AG Core Plus	Pvt. Non-core RE	Yes	Yes	Yes	N/A	Yes*	No	No	Yes*	Yes	Yes
Almanac Realty	Pvt. Non-core RE	Yes	Yes	Yes	No*	Yes*	Yes*	No	No	Yes	No
Greenfield/Grandview	Pvt. Non-core RE	Yes	N/A	Yes	N/A	No	No	No	No	Yes	Yes
Stockbridge	Pvt. Non-core RE	Yes	Yes	Yes	Yes	No	No	No	No	Yes	Yes
Walton Street	Pvt. Non-core RE	Yes	Yes	Yes	Yes	No	No	No	No	Yes	Yes
Bessemer	Venture Capital	Yes	Yes	Yes	N/A	No	No	No	No	Yes	Yes
Traditional Growth											
Northern Trust	All Cap Global	Yes	Yes	Yes	Yes	No*	No	Yes*	No	Yes	Yes
GQG	Emerging Mkts.	Yes	Yes	Yes	Yes	No	No	Yes*	No	Yes	Yes
PIMCO***	Emerging Mkts.	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Invesco	REITS	Yes	Yes	Yes	Yes	No	Yes*	Yes*	No	Yes	Yes
Stabilized Growth											
Bridgewater***	Risk Parity	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
PanAgora	Risk Parity	Yes	Yes	Yes	Yes	No	No	No	No	Yes	Yes
Neuberger Berman	Opp. Credit	Yes	Yes	Yes	Yes	No	No	No	No	Yes	Yes
Stone Harbor	Abs. Return	Yes	Yes	Yes	Yes	No	Yes*	No	No	Yes	Yes
Stone Harbor	Bank Loans	Yes	Yes	Yes	Yes	No	Yes*	No	No	Yes	Yes
BlackRock	Direct Lending	Yes	Yes	Yes	N/A	Yes*	Yes*	Yes*	No	Yes	Yes
Crestline	Opportunistic	Yes	Yes	Yes	N/A*	No*	Yes*	No	No	Yes	Yes

Manager	Sub-Segment	Q1 RIA in Good Standing; RIA	Q2 Complied with Plan Investment Policy	Q3 Complied w/ Mgr. Guidelines	Q4 Reconciled With Custodian	Q5 Litigation	Q6 Investment Personnel Changes	Q7 Mgmt. Changes	Q8 Material Business Changes	Q9 Complied Internal Risk Mgmt.	Q10 Sent Fncl Stmnts
Davidson Kempner***	Opportunistic	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Medley***	Direct Lending	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mesa West	Comm. Mortgage	Yes	Yes	Yes	Yes	No	No*	No	No	Yes	Yes
Oaktree	Leveraged Direct	Yes	Yes	Yes	Yes	Yes*	No	Yes*	No	Yes	Yes
HPS	Direct Lending	Yes	Yes	Yes	No*	Yes*	No*	No	No	Yes	Yes
Raven Capital	Direct Lending	Yes	Yes	Yes	Yes	No	No	No	No	Yes	Yes
White Oak	Direct Lending	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Berkeley Partners	Value Add RE	Yes	Yes	Yes	N/A	No	No	No	No	Yes	Yes
Principal	Pvt. Core RE	Yes	Yes*	Yes	N/A*	No*	Yes*	No	No	Yes	Yes
Prologis Targeted US	Pvt. Core RE	N/A*	Yes	Yes	N/A*	Yes*	No	No	No	Yes	Yes
DWS / RREEF	Pvt. Core RE	Yes	Yes	Yes	N/A	No*	No	No	No	Yes	Yes
Principal Protection											
Dodge & Cox	Core Fixed Income	Yes	Yes	Yes	Yes	No*	No*	Yes*	No	Yes	Yes
Loomis Sayles	Core Fixed Income	Yes	Yes	Yes	Yes	Yes*	No	No	No	Yes	Yes
Crisis Risk Offset℠											
Dodge & Cox	Long Duration	Yes	Yes	Yes	Yes	No*	No*	Yes*	No	Yes	Yes
Mount Lucas	Syst. Trend Following	Yes	Yes	Yes	Yes	No	No	No	No	Yes	Yes
Graham	Syst. Trend Following	Yes	Yes	Yes	Yes	No*	No	Yes*	No	Yes	Yes
AQR	Alt. Risk Premia	Yes	Yes	Yes	N/A	No*	Yes*	Yes*	Yes*	Yes	Yes
PE Investments	Alt. Risk Premia	Yes	Yes	Yes	Yes	No	No	No	No	Yes	Yes
Overlay											
Parametric	PIOS Overlay Prgm	Yes	Yes	Yes	Yes	No*	Yes*	Yes*	Yes*	Yes	Yes
Consultant											
Meketa	Consultant	Yes	Yes	Yes	Yes	No	No	No	No	Yes	Yes

* Detailed written response provided below

*** Manager declined to provide written responses.

Performance Information through March 31, 2023								
		Inception			Ann. Excess (bps)		Peer Ranking	
Manager	Sub-Segment	Date	Status	Benchmark	3 Yrs	5 Yrs	3 Yrs	5 Yrs
Aggressive Growth								
BlackRock	Global Infrastructure	7/2019	Good Standing	MSCI ACWI +2%	340	n/a	n/a	n/a
Ocean Avenue II[1]	PE Buyout FOF	5/2013	Good Standing	MSCI ACWI +2%	2,820	1,770	n/a	n/a
Ocean Avenue III[1]	PE Buyout FOF	4/2016	Good Standing	MSCI ACWI +2%	1,930	1,760	n/a	n/a
Ocean Avenue IV	PE Buyout FOF	12/2019	Good Standing	MSCI ACWI +2%	1,960	n/a	n/a	n/a
Morgan Creek III[4]	Multi-Strat FOF	2/2015	Good Standing	MSCI ACWI +2%	-1,740[4]	-1,810[4]	n/a	n/a
Morgan Creek V[1]	Multi-Strat FOF	6/2013	Good Standing	MSCI ACWI +2%	260	200	n/a	n/a
Morgan Creek VI[1]	Multi-Strat FOF	2/2015	Good Standing	MSCI ACWI +2%	1,120	770	n/a	n/a
Stellex Capital II	PE – Special Situations	7/2021	Good Standing	MSCI ACWI +2%	n/a	n/a	n/a	n/a
AG Core Plus IV[3]	Pvt. Non-core RE	2014	Good Standing	Private RE Benchmark	-1,560	-900	n/a	n/a
Almanac Realty VI[3]	Pvt. Non-core RE	2011	Good Standing	Private RE Benchmark	-810	-1,600	n/a	n/a
Berkeley Partners V[3]	Pvt. Non-core RE	2020	Good Standing	Private RE Benchmark	n/a	n/a	n/a	n/a
Greenfield VII[3]	Pvt. Non-core RE	2013	Good Standing	Private RE Benchmark	110	-50	n/a	n/a
Grandview[3]	Pvt. Non-core RE	2018	Good Standing	Private RE Benchmark	990	n/a	n/a	n/a
Stockbridge III[3]	Pvt. Non-core RE	2017	Good Standing	Private RE Benchmark	1,170	1,080	n/a	n/a
Walton Street VI[3]	Pvt. Non-core RE	2007	Good Standing	Private RE Benchmark	-10	-610	n/a	n/a
Traditional Growth								
Northern Trust	All Cap Global	10/2020	Good Standing	MSCI ACWI IMI	n/a	n/a	n/a	n/a
GQG	Emerging Mkts.	8/2020	Good Standing	MSCI Emerging Markets	n/a	n/a	n/a	n/a
PIMCO	Emerging Mkts.	4/2007	Good Standing	MSCI Emerging Markets	1,450	400	55	61
Invesco	REITS	8/2004	Good Standing	FTSE EPRA/NAREIT ex-US Equity	-440	-110	87	84
Stabilized Growth								
Bridgewater[2]	Risk Parity	3/2012	Good Standing	Bridgewater All Weather Blend	-530	-310	n/a	n/a
PanAgora	Risk Parity	4/2016	Good Standing	T-Bill +4%	-870	-410	n/a	n/a
Neuberger Berman[1]	Opp. Credit	2/2019	Good Standing	33% HY Const./33% S&P LSTA LL/ 33% JPMEMBI Glbl Div.	-70	n/a	n/a	n/a
Stone Harbor[1]	Abs. Return	4/2008	Good Standing	3-Month Libor	220	120	n/a	n/a
BlackRock	Direct Lending	05/2020	Good Standing	Custom Credit Benchmark	n/a	n/a	n/a	n/a
Stabilized Growth (continued)								
Crestline[1]	Opportunistic	11/2013	Good Standing	CPI +6%	-990	-1,090	n/a	n/a

[1] Data is lagged 1 quarter.
[2] Bridgewater and Graham chose not to provide responses to the SJCERA compliance questionnaire and instead directed Meketa to a standard quarterly business update.
[3] Annual Excess returns for Private Non-Core Real Estate are as of 09/30/2022, lagged 1 quarter.
[4] Q1 2023 Capital Statement not available as of this report's production

Performance Information through March 31, 2023								
		Inception			Ann. Excess (bps)		Peer Ranking	
Manager	Sub-Segment	Date	Status	Benchmark	3 Yrs	5 Yrs	3 Yrs	5 Yrs
Davidson Kempner[1]	Opportunistic	10/2020	Good Standing	CPI +6%	n/a	n/a	n/a	n/a
Medley[1]	Direct Lending	7/2012	Good Standing	CPI +6%	-1,480	-1,810	n/a	n/a
Mesa West IV[1]	Comm. Mortgage	3/2017	Good Standing	CPI +6%	-990	-570	n/a	n/a
Oaktree[1]	Leveraged Direct	3/2018	Good Standing	MSCI ACWI +2%	350	n/a	n/a	n/a
HPS	Direct Lending	8/2020	Good Standing	CPI +6%	n/a	n/a	n/a	n/a
Raven Capital II[1]	Direct Lending	8/2014	Good Standing	CPI +6%	n/a	n/a	n/a	n/a
Raven Capital III[1]	Direct Lending	8/2015	Good Standing	CPI +6%	-350	-130	n/a	n/a
White Oak Summit[1]	Direct Lending	3/2016	Good Standing	CPI +6%	-1,100	-740	n/a	n/a
White Oak Yield Spectrum[1]	Direct Lending	3/2020	Good Standing	CPI +6%	-770	n/a	n/a	n/a
Principal[3]	Pvt. Core RE	10/2015	Good Standing	Private RE Benchmark	-870	-700	n/a	n/a
Prologis Targeted US[3]	Pvt. Core RE	9/2007	Good Standing	Private RE Benchmark	530	530	n/a	n/a
DWS / RREEF[3]	Pvt. Core RE	4/2016	Good Standing	Private RE Benchmark	-820	-670	n/a	n/a
Principal Protection								
Dodge & Cox	Core Fixed Income	10/1990	Good Standing	BB Aggregate Bond	230	140	9	8
Loomis Sayles	Core Fixed Income	4/2022	Good Standing	BB Aggregate Bond	n/a	n/a	n/a	n/a
Crisis Risk Offset[1]								
Dodge & Cox	Long Duration	2/2016	Good Standing	BB US Long Duration Treasury	90	0	n/a	n/a
Mount Lucas	Sys. Trend Following	1/2005	Good Standing	BTOP50 Index	740	100	n/a	n/a
Graham[2]	Sys. Trend Following	4/2016	Good Standing	SG Trend	70	-50	n/a	n/a
AQR	Alt. Risk Premia	5/2016	Good Standing	5% Annual	1,290	-440	n/a	n/a
P/E Investments	Alt. Risk Premia	7/2016	Good Standing	5% Annual	-850	-270	n/a	n/a
Other								
Northern Trust	Govt. Short Term	1/1995	Good Standing	US T-Bills	-10	-30	n/a	n/a
Parametric	Long Duration	1/2020	Good Standing	n/a	n/a	n/a	n/a	n/a

[1] Data is lagged 1 quarter.
[2] Bridgewater and Graham chose not to provide responses to the SJCERA compliance questionnaire and instead directed Meketa to a standard quarterly business update.

Manager Responses to Highlighted Questions

This section includes the verbatim text of the manager's response to any highlighted questions to provide more detail to the table above.

Angelo Gordon Litigation

From time to time, the firm and its affiliates become involved in litigation, such as when a suit is brought against a portfolio company or a dispute relating to a transaction. We do not believe any of this litigation presents material liability to any of our funds or accounts.

Angelo Gordon Material Business Changes

Angelo, Gordon & Co., L.P. is 100% owned by our founders their related parties and 101 senior employees as of March 31, 2022. On May 15, 2023, TPG Inc. a leading global alternative asset management firm, and Angelo Gordon, announced that the companies have entered into a definitive agreement under which TPG will acquire Angelo Gordon. The transaction is subject to regulatory review, as well as customary closing conditions. Please see media release for additional details. https://www.angelogordon.com/news/tpg-to-acquire-angelo-gordon/

Almanac Realty Reconciled with Custodian

The Fund relies on the audit exception to the Custody Rule by providing audited financials within 120 days. JP Morgan Chase is the custodian.

Almanac Realty Litigation

From time to time, Neuberger Berman and its employees are the subject of, or parties to examinations, inquiries and investigations conducted by US federal and state regulatory and other law enforcement authorities, non-US regulatory and other law enforcement authorities and self-regulatory organizations, including, but not limited to, the Securities and Exchange Commission ("SEC"), Financial Industry Regulatory Authority ("FINRA"), the National Futures Association ("NFA"), and the Municipal Securities Rulemaking Board (the "MSRB"). Neuberger Berman routinely cooperates freely with such examinations, inquiries and investigations. Neuberger Berman is also involved, from time to time, in actual or threatened civil legal proceedings and arbitration proceedings concerning matters arising in connection with the conduct of its business. Neuberger Berman believes that none of these matters either individually or taken together, will have a material adverse impact on the firm's business. All material proceedings in which there has been a final determination against any of Neuberger Berman's US registered investment advisers or its broker-dealer are disclosed in such affiliate's Form ADV Part 1 (if a registered investment adviser), Form BD (if a registered broker-dealer) or NFA Basic (if a CFTC registrant), each of which is publicly available through the SEC at http://www.adviserinfo.sec.gov, FINRA at http://www.finra.org, or the NFA at www.nfa.futures.org, respectively.

In December 2020, the Neuberger Berman Group 401(k) Plan Investment Committee (the "Plan IC") settled a class-action litigation related to a now-closed fund that had been previously offered in the Firm's 401(k) Plan. The settlement amount was $17 million dollars, and as part of the settlement all claims relating to the litigation against the Plan IC and Firm were released. The Plan IC denied, and continues to deny, all allegations of wrongdoing and all liability for the allegations and claims made in the litigation. The Firm remains proud of its 401(k) Plan, which offers participants a broad range of

Manager Responses to Highlighted Questions (continued)

investment options, including leading third-party managers and a brokerage window. NBAA was not a party to the litigation.

On September 14, 2020, Almanac Realty Investors, LLC, and other Almanac-related entities (including the Fund) and individuals (together, "Almanac"), were named as defendants in a complaint filed in Wisconsin State Court (the "Wisconsin Litigation") by VAT Master Corp. and VAT Master Limited Partnership (together, "VAT"). The original complaint asserted claims for breaches of contract, breaches of fiduciary duties, fraud, civil conspiracy, and unjust enrichment in connection with the management and liquidation of Vanta Commercial Properties L.L.C., a Delaware limited liability company from 2007 until 2017. On October 30, 2020, Almanac, including NB Alternatives Advisers LLC (as successor-in-interest to Almanac Realty Investors, LLC) and the Fund, brought suit against VAT in the Delaware Court of Chancery (the "Delaware Litigation") seeking to enjoin VAT from pursuing the Wisconsin Litigation based on forum selection provisions from Vanta's operating agreement. Following a hearing on Almanac's motion to expedite, the parties stipulated to a stay of the Wisconsin Litigation until resolution of the Delaware Litigation. A final merits hearing in the Delaware Litigation was held on April 7, 2021. On May 26, 2021, the Delaware court entered an order granting plaintiffs' request for a permanent injunction as to Counts I, II, III, V, VI, VII, VIII, and IX in the Wisconsin Litigation, and denying plaintiffs' request for a permanent injunction as to Count IV in the Wisconsin Litigation (the "Delaware Order"). On June 22, 2021, VAT filed a notice of appeal of the Delaware Order to the Delaware Supreme Court. On December 15, 2021, the Delaware Supreme Court summarily affirmed the Delaware Order. On January 4, 2022, the Delaware Supreme Court issued its mandate to the Delaware Court of Chancery. On December 30, 2021, VAT filed a motion to lift the stay of the Wisconsin Litigation and to file a proposed first amended complaint. On February 11, 2022, VAT filed a First Amended Complaint. Also, on February 11, 2022 and following a scheduling conference, the Wisconsin Court entered an order directing Almanac to file a motion to dismiss on or before March 3, 2022, and setting a further scheduling conference for April 5, 2022. On March 3, 2022, Almanac moved to dismiss VAT's remaining claim in the Wisconsin Litigation (the "Motion to Dismiss"). On August 5, 2022, the Wisconsin Court granted the Motion to Dismiss in part (as to two individual defendants), denied it in part (as to all other defendants except Almanac Realty Investors, LLC), and withheld ruling as to Almanac Realty Investors, LLC pending plaintiffs' filing of a second amended complaint and further briefing. The Wisconsin Court ordered the plaintiffs in the Wisconsin Litigation to file a second amended complaint by September 6, 2022. On August 19, 2022, Almanac filed a petition for leave to appeal the Wisconsin Court's order denying the Motion to Dismiss with the Wisconsin Court of Appeals. On September 12,2022, the Wisconsin Court of Appeals granted Almanac's petition for leave to appeal. On September 19, 2022, VAT filed a notice of appeal with the Wisconsin Court of Appeals of the Wisconsin Court's order to the extent it granted Almanac's motion to dismiss as to Almanac Realty Investors, LLC and two individuals. On November 28, 2022, Almanac filed its opening brief in support of its appeal. On December 29, 2022, VAT filed its responsive appellate brief and opening brief in support of its appeal. Almanac filed its combined reply in support of its appeal and response to VAT's appeal on January 30, 2023. VAT filed a reply in support of its appeal on February 14, 2023. The Wisconsin Court of Appeals heard oral argument on Almanac's appeal on April 14, 2023. The appeals remain pending.

Manager Responses to Highlighted Questions (continued)

On May 4, 2021, Golub Capital LLC filed suit in federal court for the Southern District of New York, against NB Alternatives Advisers LLC and Neuberger Berman Group LLC d/b/a Dyal Capital Partners seeking to enjoin the transfer to Blue Owl of information provided under the non-disclosure agreement ("NDA") between Golub and Dyal (signed on behalf of Dyal by NBAA). The complaint asserts contract claims under the NDA as well as federal and state trade secret claims. Judge Liman denied plaintiff's motion to enjoin the transaction, and the case proceeded on the merits of the breach of contract claims under the NDA. The Neuberger defendants filed a motion to dismiss the complaint. On February 22, 2022, Judge Liman granted the Neuberger defendants' motion to dismiss the complaint, with prejudice.

Almanac Realty Investment Personnel Changes

The Almanac team hired a new analyst and a new associate to join the investment team and hired two individuals to support the finance function.

AQR Litigation

To the best of our knowledge, neither AQR nor any of AQR's Principals or employees is or has been the subject of a legal proceeding, a government inquiry, or any regulatory actions during the past quarter ending June 30, 2023, that would materially impact AQR's financial condition, its management of client assets or its provision of investment advisory services. AQR routinely engages in correspondence with, and from time to time receives document requests and inquiries from, the US Securities and Exchange Commission, The US Commodities Futures Trading Commission, the US Department of Labor and other regulatory and law enforcement agencies from various US and non-US jurisdictions. At this time, we are not aware of any inquiries or investigations that would have a material adverse effect on AQR's ability to conduct its business. Please note the historical matters set forth in item 11 of AQR's part 1 of Form ADV.

AQR Personnel Changes

Within our Macro Strategies Group investment team, which supports the strategy, there have been no senior-level (Managing Director and above) investment professional additions and one departure over the past quarter ending June 30, 2023.

AQR Management Changes

Please note that as of June 12th, Michele Aghassi has been named Head of Sustainable Investing. Michele is a Principal and senior portfolio manager for our equity strategies. In her new role, Michele will be responsible for the research, portfolio management and implementation efforts for our sustainable strategies and will also maintain her current portfolio management responsibilities. Her deep knowledge of AQR's investment process across strategies and products, as well as her strategic thinking, position her well to lead this effort and further integrate our ESG strategies into our broader product offering.

Manager Responses to Highlighted Questions (continued)

Additionally, Nicole Carter has been named Head of Sustainability Strategy. Nicole has been an integral part of our ESG business for the past 8 years. She has most recently led AQR's ESG strategy for reporting, regulatory, and stewardship related topics as the Deputy Head of ESG Strategy. She is an active member of the sustainable investment community, serving on working groups for the MFA, the Investment Association, and the UK Endorsement Board. As the Head of Sustainability Strategy, Nicole will manage business development efforts for ESG.

Lukasz Pomorski, former Head of ESG Research, will be leaving the firm to pursue other opportunities.

Matthew Chilewich (Principal, Business Development) and Suzanne Escousse (Principal, Business Development) departed during the quarter ending June 30, 2023.

AQR Material Business Changes

Please refer to our response directly above.

BlackRock Litigation

Yes. As a global investment manager, BlackRock Inc., and its various subsidiaries including BlackRock Financial Management, Inc. ("BFM") may be subject to regulatory oversight in numerous jurisdictions including examinations and various requests for information. BFM's regulators routinely provide it with comment letters at the conclusion of these examinations in which they request that BFM correct or modify certain of its practices. In all such instances, BFM has addressed, or is working to address, these requests to ensure that it continues to operate in compliance with applicable laws, statutes and regulations.

BFM also receive subpoenas or requests for information in connection with regulatory inquiries and/or investigations by its various regulators. None of these matters has had or are expected to have any adverse impact on BFM's ability to manage its clients' assets. Please refer to BlackRock's Form ADV and SEC disclosures for additional information on regulatory matters concerning BFM or BlackRock as a whole.

BlackRock, Inc. and its various subsidiaries, including BFM, also have been subject to certain business litigation that has arisen in the normal course of their business. Our litigation has included a variety of claims, some of which are investment-related. None of BlackRock's prior litigation has had, and none of its pending litigation currently is expected to have, an adverse impact on BlackRock's ability to manage client accounts.

Manager Responses to Highlighted Questions (continued)

BlackRock Investment Personnel Changes

The BlackRock Global Infrastructure Funds, a nearly 70-person strong global infrastructure funds team, announced the transition of Eduard Ruijs, Managing Director, as he moves to a new opportunity outside the infrastructure fund management industry. His responsibilities have transitioned to Ryan Shockley and Edward Winter ("Ed"), who are both Managing Directors and senior portfolio managers within the BGIF Team with 14 and 5 years with the funds, respectively. Ryan now leads the London office and works together with the experienced, deep investment team we have built there. Ed has taken responsibility for portfolio companies and relationships within the Middle East given his existing involvement our investment efforts in the Middle East and relationships that he has helped build over the years. Together, Ryan and Ed have over 35 years of experience in investing in infrastructure.

The BGIF business has grown significantly alongside and with our clients since its establishment in 2008. Today, we manage over US $16 billion of investor capital that we have invested in essential and diversified infrastructure across 19 markets globally. We are extremely well-positioned to capture the opportunities arising from the megatrends of Decarbonization, Digitalization and Decentralization (the '3Ds') that are set to continue shaping the future of infrastructure.

The BlackRock Direct Lending Fund team announced one departure at the Director level—Kush Kotary. There were no changes to the Voting Members of the Fund in which SJCERA is invested.

BlackRock Management Level Changes

Dalia Blass, Head of External Affairs, has decided to return to her roots practicing law. She will be joining the global law firm Sullivan & Cromwell. **Mark McCombe**, who has played a key role as Vice Chairman since last October in helping BlackRock tell our story to a wider set of stakeholders, will oversee External Affairs on an interim basis while we complete a search for a new senior leader in this space.

Armando Senra has become the Head of our new Americas Institutional Business, which oversees BlackRock's client businesses in the US, Canada, and LatAm. He reports into Mark Wiedman as Head of Global Client Business.

Sandy Boss will take on the role of Global Client Business Chief Operating Officer (COO) to drive our fulfillment of our mission to deliver BlackRock to clients around the world and to external stakeholders, reporting into Mark Wiedman.

Gina McCarthy will take on a new role as COO for Americas Institutional Business, reporting into Armando.

Neetika Singh will take on a new role as Head of Platform and Scaled Distribution (PSD) while continuing to Co-Head Global Consultant Relations. Our Clients Insight Unit will now fall under PSD.

Colin Stewart to become Head of the Client Experience Management (CEM) team in the US and Canada.

Manish Mehta (Global Head of Human Resources) will lead a newly created **BlackRock Global Markets group (BGM)** to create greater alignment and coordination across investment functions while continuing to support the broad array of investment teams across the firm.

Manager Responses to Highlighted Questions (continued)

Dan Veiner, (Global Head of Fixed Income Trading), and Jatin Vara, (Head of International Trading & Global Head of Emerging Markets Trading), will transition to Co-Heads of Global Trading, which was previously headed by Supurna VedBrat.

Carolyn Weinberg will join the Global Product Group (GPG) as Chief Product Innovation Officer. Dan Dunay and Carolyn will Co-Head GPG.

Dominik Rohe to become Head of the Americas iShares and Index business.

Robert Fischbach will be retiring in May after two decades at BlackRock and three decades in the financial services industry. For BlackRock, Robert built and led teams for iShares, U.S Wealth Advisory and most recently for Cash. He also served as head of the San Francisco office since 2018. Nicole Mossman will be taking over as the San Francisco Office Head beginning in May. Nicole has been a member of the San Francisco Leadership Team since 2019 and has led several of our major initiatives over the years. Her day job is leading our Fundamental Equities Global Communications team. Prior to her current role, she led the iShares Global Product Marketing team and held leadership roles in product development and strategy, sales strategy and client communications.

Crestline Litigation

Crestline is from time to time involved in various disputes or other litigation in connection with our business activities or as part of the investment process in particular, but without limitation, where transactions involve investments subject to a bankruptcy process. None of the foregoing are material.

Crestline Investment Personnel Changes

Jake Shields joined in April 2023 as a Manager responsible for Asset Management.

Henry Wang joined in May 2023 as a Director responsible for Sourcing.

Jayden Gonzales joined in June 2023 as an Analyst responsible for Underwriting and Asset Management.

Eli Goldaris, Analyst, departed the team in May 2023. His responsibilities were assumed by Jake Shields, Manager.

Bradley Neunuebel, Senior Associate, departed the team in June 2023. His responsibilities were assumed by Samantha Romero, Vice President.

Manager Responses to Highlighted Questions (continued)

DWS RREEF Litigation

DWS Group GmbH & Co. KGaA and its various subsidiaries (collectively "DWS"), which includes RREEF America L.L.C. (RREEF), are global financial institutions with numerous domestic and foreign affiliates. In the course of its businesses, these affiliates are, or may be subject to litigation and arbitration and to regulatory examinations, investigations and inquiries. To the best of our knowledge, none is currently expected to have a material adverse effect on the ability of DWS to execute its investment duties and responsibilities to your accounts. DWS reports these matters as required by law or regulation and disclose any significant legal proceedings, including litigation and regulatory matters in its annual reports. DWS Group's filings are available on its website at https://group.dws.com/ir/reports-and-events/. For RREEF, please refer to the Form ADV Part 1 for disclosures for these entities with respect to criminal, regulatory and civil actions, if applicable, against RREEF, its officers, directors and employees, and entities controlling, controlled by or under common control with either of those entities. Please note, we may be subject to confidentiality restrictions and prohibited from disclosing information concerning certain inquiries or investigations.

Dodge & Cox Litigation

Dodge & Cox, by the nature of its business, may receive third-party subpoenas in the normal course of doing business and may also become involved in civil litigation. Nevertheless, as of quarter end, Dodge & Cox and its officers/employees have not been involved in any material litigation during the relevant time period. Dodge & Cox has not been investigated by any regulator or involved in any regulatory enforcement action during the relevant time period.

Dodge & Cox Investment Personnel Changes

Dodge & Cox has experienced an extremely low level of personnel turnover throughout our history. There were no additions or departures related to the investment team responsible for SJCERA's portfolio during the past quarter.

Dodge & Cox Management Personnel Changes

Gradual and thoughtful transition of leadership is a hallmark of our firm. To ensure continuity of our investment philosophy, research process, and culture, we spend considerable time planning for leadership succession, and evolve the composition of our Investment Committees gradually. We select Investment Committee members based on their long-term contributions to our research and investment processes as analysts and members of our Sector Committees, and their demonstrated interest in portfolio strategy.

Manager Responses to Highlighted Questions (continued)

As a reminder, on January 12, 2023, we announced the forthcoming changes to our leadership team, and two of our Investment Committees:

Investment Leadership

Tom Dugan, Senior Vice President and Director of Fixed Income, has decided to retire on December 31, 2023 after what will have been more than 30 years of distinguished service at Dodge & Cox. After Tom retires, **Lucy Johns**, Senior Vice President and Associate Director. Tom will leave the USFIIC when he retires.

Graham Litigation

To the best of the firm's knowledge, neither GCM nor any of its funds have been the subject of legal proceeding or investigation by a government agency or other regulatory body, other than with respect to inquiries of a routine or general nature, sweep examination, or audit, the effect of which was in each case immaterial to the financial condition or operations of GCM and its funds.

Graham Management Changes

Effective April 1, 2023 Brad Williams joined GCM as Chief Business Officer and joined GCM's executive, investment, and risk committees as of May 1, 2023.

GQG Management Personnel Changes

In 2Q23, David Mullane, Managing Director - Investment Initiatives, joined the firm as part of the Executive Team.

HPS Custodian Reconciliation

We expect SJCERA's account to be reconciled with the Fund's Administrator, Harmonic Fund Services, for the second quarter of 2023 by September 2023.

HPS Litigation

Yes, however, to our knowledge, there are no litigations involving the Firm that HPS believes will have a material adverse effect upon the Firm. No ongoing regulatory proceedings.

HPS Investment Personnel Changes

During the secondquarter of 2023, there were no hires or departures at the level of Vice President or above to the dedicated Asset Value* team.

* Formerly known as European Asset Value.

Invesco Investment Personnel Changes

Effective July 5, 2023, Chip McKinley, Senior Portfolio Manager, is no longer with the firm.

Manager Responses to Highlighted Questions (continued)

Invesco Management Personnel Changes

On June 30, 2023, Martin L. Flanagan retired from the firm and Andrew Schlossberg became the President and CEO of Invesco. As previously announced, Marty became Chairman Emeritus and he will continue to provide advice and guidance to the firm in this role until December 31, 2024.

Loomis Sayles Litigation

Loomis, Sayles & Company, L.P. is defendant in a civil complaint initially filed in April 2014. The complaint alleges that Loomis Sayles misclassified a software engineer as an independent contractor, when he should have been an employee of Loomis Sayles under applicable Massachusetts statute. The complaint purports to represent a class of unnamed technology contractors the plaintiff claims were misclassified as contractors. In its answer, Loomis denied all the allegations. Loomis believes the plaintiff's case has no merit, and intends to vigorously defend its position in this matter. The plaintiff represented and certified that he was an employee in fact of a sub vendor, and his employer represented and certified to Loomis Sayles that it complied with all state and federal tax and employment laws applicable to the employment of this individual. Depositions began in January 2015. Discovery ended in late May 2015 and dispositive motions, including a motion for class certification by the plaintiff and a motion for summary judgment by Loomis Sayles, were filed at the end of June 2015. A hearing on various motions was held in September 2016. The judge denied plaintiff's motion for class certification and Loomis Sayles' motion for summary judgment. In April 2018, the trial judge issued a directed verdict in Loomis Sayles' favor, and the plaintiff appealed the verdict in May 2018. The Massachusetts Court of Appeals heard oral arguments in the case in September 2019 and in January 2020 reversed the directed verdict, remanding the case for retrial. In February 2020 Loomis Sayles appealed this decision to the Massachusetts Supreme Judicial Court. The appeal was denied, and preparations are underway for a retrial. The retrial began on September 27, 2022 and concluded on October 4. A jury verdict in favor of Loomis Sayles on the dispositive first question (Standing) was rendered on October 5 and the judgment entered on October 19, 2022. The plaintiff filed an appeal on November 16, 2022. The plaintiff filed an appeal brief in May 2023. The plaintiff raised three issues on appeal: (i) the Superior Court's framing of a verdict question on standing, (ii) the Court's framing of jury instruction on standing, and (iii) the Court's jury instruction on damages. Loomis Sayles filed its responsive brief on June 30, 2023. Plaintiff-appellant's reply brief is due in August 2023.

In August 2022, Loomis Sayles Trust Company, LLC (LSTC) filed a class action complaint against Citigroup in the United States District Court for the Southern District of New York (the "Court") alleging Citigroup's failure to properly execute trades as LSTC's broker. On March 18, 2022, Loomis Sayles engaged Citigroup to execute certain transactions on behalf of the Loomis Sayles Growth Equity Strategies (GES) portfolios. The complaint alleges that Citigroup failed to achieve best execution in connection with two large orders among the transactions resulting in harm to certain of LSTC's funds and to certain clients of Loomis, Sayles & Company, L.P. (collectively with LSTC, "Loomis Sayles"). Loomis Sayles believes Citigroup failed to meet its legal obligations to take diligent and reasonable efforts to maximize the economic benefit to LSTC's affected funds and the clients of Loomis Sayles. In the complaint, LSTC alleges that Citigroup failed to discharge its fiduciary duty, including its duty of care, by failing to achieve best execution on these orders. The complaint further alleges that Citigroup's conduct resulted in significantly dislocated prices on the executed trades. It is important to note that this complaint is specific to the failed execution of two trades and does not extend to other aspects of Loomis Sayles' work with Citigroup. Loomis Sayles

Manager Responses to Highlighted Questions (continued)

intends to continue to engage constructively with Citigroup on other client matters, but determined that litigation in this instance is necessary to protect clients that were impacted by these transactions. In November 2022, Citigroup filed a motion to dismiss the complaint, and pleadings on the motion were completed in December. In February 2023, the court converted the motion to dismiss to a motion for summary judgment. The Court has not ruled on Citigroup's as-converted motion for summary judgment. On March 10, 2023, Citigroup filed a request for a three-week extension of fact discovery, which the Court granted, extending fact discovery until April 21, 2023. Depositions were conducted during the course of April 2023, and document production was completed in the same month. LSTC served five expert reports on Citigroup on May 22, 2023, and Citigroup served three rebuttal expert reports on June 21. Expert depositions began in June 2023 and are scheduled to be completed in August. On June 7, 2023, LSTC filed a letter request with the Court to file a motion for class certification, and Citigroup's response letter is due in July.

Mesa West Investment Personnel Changes

Turnover in the ordinary course of business has occurred among junior to mid-level employees.

Northern Trust Litigation

As one of the world's largest asset managers, NTI is occasionally named as a defendant in asset management-related litigation. NTI is not currently party to any litigation that has had (or will have) a material effect on its ability to perform services for its clients. At this time, there are no significant pending cases. Furthermore, NTI occasionally receives requests for information from government and regulatory agencies. NTI frequently does not know if such requests are related to a formal government or regulatory investigations or, assuming an investigation is underway, whether NTI is a target of such investigation or simply thought to be in possession of information pertinent to such investigation. NTI is not currently involved in any government or regulatory investigation or proceeding that would have a material impact on its ability to provide advisory services to its clients.

Northern Trust Management Level Changes

2023

June/July; Following the appointment of Daniel Gamba as NTAM President earlier in the year, the following changes have been announced to realign leadership:

Sheri Hawkins assumes the newly created role titled Head of Investment Platform Services. This group is designed to ensure investment process and client portfolio management excellence, including equity trading, client portfolio management, index services, ESG integration, stewardship, and an expanded mandate for our Office of the CIO to cover performance monitoring and alpha enhancements across investment teams. **Paula Kar,** Global Head of Product Strategy, assumes the role of Global Head of Product, replacing Sheri Hawkins. **John McCareins** becomes the Head of International Asset Management, where he has responsibility over our EMEA & APAC regions. **Marie Dzanis,** Head of EMEA for NTAM, will be pursuing other opportunities outside of Northern Trust. **Angelo Manioudakis**, Global Chief Investment Officer will also serve as interim CIO of global fixed income. **Tom Swaney,** CIO of global fixed income, is pursuing opportunities outside of Northern Trust.

Manager Responses to Highlighted Questions (continued)

May; Chris Vella, Head of Multi-Manager Solutions for Northern Trust Asset Management announced his leaving the firm. With over 25 years of experience, Kelly Finegan, CFA, was promoted to the Head of Multi-Manager Solutions.

March; Jim McDonald, Chief Investment Strategist retired after spending more than half of his 40-year career with Northern Trust.

February; Daniel Gamba was appointed as Northern Trust's new President of Asset Management effective April 3. He joined Northern Trust's Management Group and reports to Chief Executive Officer Michael O'Grady. Gamba joined Northern Trust from BlackRock, Inc., where he spent 22 years and served as co-heard of Fundamental Equities and as a member of BlackRock's Global Operating, Portfolio Management Group Executive and Human Capital committees.

Oaktree Litigation

With regards to regulatory exams, Oaktree is subject to the authority of a number of US. and non-US regulators, including the US Securities and Exchange Commission ("SEC") and the Financial Industry Regulatory Authority ("FINRA"), and those authorities regularly conduct examinations of Oaktree and make other inquiries. No regulatory action to date has had a material adverse financial impact upon Oaktree or any of the funds it manages and Oaktree is not aware of any pending regulatory enforcement action that might reasonably be expected to have such an effect.

On April 6, 2023, FINRA commenced a routine examination of OCM Investments, LLC ("OCM Investments"), a wholly-owned subsidiary of Oaktree and a SEC-registered broker-dealer and member of FINRA.

Oaktree Management Team Changes

In June 2023, Oaktree's executive committee announced the elevation of three long-tenured colleagues to join them in leading the firm in the years ahead. In the first quarter of 2024, Bob O'Leary, portfolio manager for the Global Opportunities strategy, and Armen Panossian, Head of Performing Credit, will be appointed to the position of co-chief executive officers (co-CEOs). At the same time, Todd Molz, General Counsel and Chief Administrative Officer, will become Chief Operating Officer. As part of this change, Jay Wintrob, Chief Executive Officer, will depart after almost a decade as Oaktree's first CEO.

Messrs. O'Leary and Panossian will continue as the heads of two of Oaktree's key investment groups; as part of their co-CEO responsibilities, they will primarily focus on the organization and performance of Oaktree's investment teams. Todd will oversee Oaktree's non-investment functions. All three will join Howard Marks, co-Chairman, Bruce Karsh, co-Chairman and Chief Investment Officer, and John Frank, Vice Chairman, on Oaktree's executive committee.

Manager Responses to Highlighted Questions (continued)

Parametric Investment Personnel Changes

During the second quarter, 2023, Alex Braun, CFA, Senior Portfolio Manager, left the firm.

Parametric Management Level Changes

In early May 2023, Brian Langstraat announced his transition out of the CEO role on December 31, 2023, and into a Senior Advisor role on January 1, 2024. Brian has worked at Parametric for over 33 years and served as CEO for over 22 years.

As Senior Adviser, Brian will support Tom Lee, Co-President and Chief Investment Officer, Ranjit Kapila, Co-President and Chief Operating Officer, and the Parametric team as they expand their leadership roles. Reuben Butler, Managing Director, Corporate Development, will also be Chief Administrative Officer. He will report to Ranjit with a dotted line into Tom. The following changes will occur effective June 30, 2023:

Melissa Fell, Managing Director, Human Resources, and the HR team will report to Reuben Butler.

James Barrett, Managing Director, Head of Client Development, and Rob Ciro, Managing Director, Product Management, along with their teams, will report to Tom Lee.

Through the remainder of 2023, Ranjit, Tom, and Brian will fully transition Brian's CEO responsibilities and shape his 2024 role.

Parametric Material Business Changes

In early May 2023, Brian Langstraat announced his transition out of the CEO role on December 31, 2023, and into a Senior Advisor role on January 1, 2024. Brian has worked at Parametric for over 33 years and served as CEO for over 22 years.

As Senior Adviser, Brian will support Tom Lee, Co-President and Chief Investment Officer, Ranjit Kapila, Co-President and Chief Operating Officer, and the Parametric team as they expand their leadership roles. Reuben Butler, Managing Director, Corporate Development, will also be Chief Administrative Officer. He will report to Ranjit with a dotted line into Tom. The following changes will occur effective June 30, 2023:

Melissa Fell, Managing Director, Human Resources, and the HR team will report to Reuben Butler.

James Barrett, Managing Director, Head of Client Development, and Rob Ciro, Managing Director, Product Management, along with their teams, will report to Tom Lee.

Through the remainder of 2023, Ranjit, Tom, and Brian will fully transition Brian's CEO responsibilities and shape his 2024 role.

Manager Responses to Highlighted Questions (continued)

1Q23

Effective January 1, 2023, Tom Lee and Ranjit Kapila each added the title of Co-President to their current roles of CIO and COO respectively. The firm created these two new positions to expand Parametric's executive capacity as the firm continues to grow and evolve. As Co-Presidents, Tom and Ranjit will be involved in leading additional functional areas and increasingly contribute to overall firm management. Brian Langstraat will remain Parametric's CEO, and Ranjit and Tom will continue to report to him.

As part of this evolution, also as of January 1, 2023, Jon Rocafort, Managing Director, Head of Fixed Income, reports to Tom Lee, and Melissa Fell, Managing Director, Human Resources, reports to Ranjit.

As Tom and Ranjit organize their teams to accommodate new responsibilities, both have hired key senior leaders. Brian Herscovici joined Tom's team as COO, Investments, on November 28, 2022. Greg Thompson started on Ranjit's team as the Head of Operations on January 30, 2023. Greg leads Parametric's operations teams including client relations and investment operations.

Principal Compliance with SJCERA IPS

Yes, we verify that the portfolio is currently, and has been during the past quarter, in compliance with the investment policy guidelines/offering document governing the management of the investment.

Principal Real Estate (the "Manager") is responsible for the day-to-day investment management of the Principal US Property Separate Account (the "US Property Account"). The Manager acknowledges and accepts that it is a fiduciary under ERISA for those assets under its management for the US Property Account, including certain assets of San Joaquin County Employees Retirement Association ("SJCERA"). The Trustees have decided to utilize the US Property Account as the investment instrument for certain assets of SJCERA. The Trustees acknowledge that the Investment Policy Statement of SJCERA differ from the exact investment objectives, policies and restrictions of the US Property Account. No material changes have been made to the investment policy guidelines governing the management of the US Property Account, though the guidelines are reviewed and potentially revised on at least an annual basis.

Principal Litigation

Given the size and scope of our operations we are occasionally involved in litigation, both as a defendant and as a plaintiff. However, management does not believe that nay pending litigation will have a material adverse effect on our business, financial position or net income. Please see our public filings for details. Also, regulatory bodies, such as the SEC, the Financial Industry Regulatory Authority, the Department of Labor and other regulatory bodies regularly make routine inquiries and conduct examinations or investigations concerning our compliance with, among other things, securities laws, ERISA and laws governing the activities of investment advisors. While the outcome of any regulatory matter cannot be predicted, management does not believe that any regulatory matter will have a material adverse effect on our business, financial position or our ability to perform our duties to clients.

Manager Responses to Highlighted Questions (continued)

Principal Investment Personnel Changes

Meighan Phillips, Co-Portfolio Manager for the Account left Principal® effective June 30 to pursue an opportunity with a Des Moines-based multifamily developer and operator. Kyle Elfers has been named Co-Portfolio Manager, joining Darren Kleis (Co-Portfolio Manager), Bridget Lechtenberg, Ross Johnson and Ellen Bennett on the Account portfolio management team. Kyle has 24 years of industry experience and has been Managing Director - Acquisitions/Dispositions for Principal Real Estate since 2011. In addition, John Berg, Senior Managing Director and head of Private Equity Portfolio Management will resume a more active role with the team on an interim basis to ensure a smooth transition. John served as Senior Portfolio Manager for the Account from 2003-2022. Principal Real Estate has experienced limited turnover of its senior management and staff.

Prologis Registered Investment Advisor Status

Investment advisors are required to register with the SEC as a Registered Investment Advisor (RIA) if they are in the business of providing advice or issuing reports or analyses regarding securities. The SEC has stated that direct interests in real estate are not securities. Prologis' vehicles invest in real estate directly. For example, USLF does not invest in the stock of other real estate companies or in other public or private funds that own real estate – USLF invests in real estate directly. Because USLF invests in real estate directly and because the SEC has stated that direct real estate investments are not securities, we have with the advice of external legal counsel determined that Prologis is not required to register as an RIA.

The ultimate parent company of Prologis is Prologis, Inc. which is a publicly traded company on the NYSE. As a publicly traded company, Prologis is subject to SEC reporting and the corporate governance and legal requirements applicable to other US public companies. In addition, the general partner of USLF is Prologis, L.P., which is the operating subsidiary through which Prologis Inc. carries out the vast majority of its operations. Prologis, L.P. is large and well-capitalized.

Prologis Litigation

Yes - Prologis, Inc. is a publicly traded company with global operations. In the normal course of business, from time to time, Prologis may be involved in legal actions and environmental matters relating to the ownership and operations of its properties. Management does not expect that the liabilities, if any, that may ultimately result from such legal actions would have a material adverse effect on the financial position, results of operations or cash flows of Prologis. Except as has been previously disclosed in public filings and one Complaint arising out of the operations of one of our Customers, as of June 30, 2023, there were no material pending legal proceedings to which Prologis is a party or of which any of its properties is the subject, the determination of which Prologis anticipates would have a material adverse effect upon its financial condition and results of operations.

Stone Harbor Investment Personnel Changes

On June 15, 2023, Ronald H. Schwartz, CFA, Head of Tax-Exempt, and Senior Portfolio Manager, retired. Dusty Self, Managing Director and Senior Portfolio Manager, took over his duties.

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The information contained in this report may include forward-looking statements. Forward-looking statements include a number of risks, uncertainties and other factors beyond the control of the Firm, which may result in material differences in actual results, performance or other expectations. The opinions, estimates and analyses reflect MEKETA's current judgment, which may change in the future.

Any tables, graphs or charts relating to past performance included in this report are intended only to illustrate investment performance for the historical periods shown. Such tables, graphs and charts are not intended to predict future performance and should not be used as the basis for an investment decision.

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SJCERA Quarterly Manager Review Schedule

Manager	Strategic Class	Sub-Segment	Under Review	Last Rvw	Next Rvw	Most Recent Visit to Meketa/SJCERA	Mgr. Meeting with SJCERA	Mgr. Location
AEW	Stablized Grwith	Core Real Estate				Oct-22		Boston, MA
Angelo Gordon	Aggressive Growth	Value Added Real Estate		May-23		10/6/2022		New York, NY
Almanac Reality VI	Aggressive Growth	Value Added Real Estate		May-21				New York, NY
AQR	Diversifying Strategies	Alternative Risk Premia		Jul-19		10/6/2022		Stamford, CT
BlackRock	Stabilized Growth, PC	Direct Lending		Mar-23		3/30/2023		San Francisco, CA
BlackRock	Aggressive Growth	Infrastructure				10/6/2022	8/22/2019	New York, NY
Berkeley Partners	Aggressive Growth	Private Real Estate		Jun-23		6/1/2023	6/1/2023	San Francisco, CA
Bridgewater (AW)	Stabilized Growth, RP	Risk Parity			Nov-23	7/29/2020	10/6/2017	Westport, CT
Crestline	Stabilized Growth, PC	Opportunistic		Feb-23		7/22/2020	6/7/2019	Fort Worth, TX
Davidson Kempner	Stabilized Growth, PC	Opportunistic		Aug-23		8/29/2023		New York, NY
Dodge & Cox	Diversifying Strategies, PP	Core Fixed Income		Oct-21		10/6/2022		San Francisco, CA
Dodge & Cox	Diversifying Strategies, CRO	Long Duration			Oct-23	6/3/2020		San Francisco, CA
GQG	Traditional Growth	Emerging Markets		Jan-23		10/16/2020		San Francisco, CA
Graham	Diversifying Strategies, CRO	Systematic Trend Following		Aug-23		10/6/2022		Rowayton, CT
Greenfield/Grandview V, VI, VII	Aggressive Growth	Opportunistic Real Estate		May-23		10/6/2022		Greenwich, CT
HPS EU	Stabilized Growth, PC	Direct Lending		Jun-23		8/3/2017*		New York, NY
Invesco	Traditional Growth	REITs, Core US		Oct-21		10/6/2022		Atlanta, GA
LongArc Capital	Aggressive Growth	Private Equity		Nov-22		2/8/2023		New York, NY
Loomis Sayles	Principal Protection	Core Fixed Income			Oct-23	10/6/2022		Kansas City, MO
Lightspeed	Aggressive Growth	Private Equity				10/6/2022		Menlo Park, CA
Medley	Stabilized Growth, PC	Direct Lending		Aug-22		3/12/2015		San Francisco/New York
Mesa West III & IV	Stabilized Growth, PC	Comm. Mortgage		Oct-21		10/6/2022	8/22/2019	Los Angeles, CA
Miller Global VI, VII	Aggressive Growth	Opportunistic Real Estate		Mar-20	Oct-23			Denver, CO
Morgan Creek III, V, & VI	Aggressive Growth	Multi-Strat FOF		Oct-21	Sep-23	8/22/2019	8/22/2019	Chapel Hill, NC
Mount Lucas	Diversifying Strategies, CRO	Systematic Trend Following			Nov-23	10/6/2022	2/12/2021	Newton, PA
Northern Trust	Traditional Growth	MSCI World IMI				10/6/2022		Chicago, IL
Northern Trust	Cash	Collective Govt. Short Term				10/6/2022		Chicago, IL
Neuberger Berman	Stabilized Growth, LC	Global Credit		Oct-21		10/6/2022		Chicago, IL
Oaktree	Stabilized Growth, PC	Leveraged Direct Lending				10/6/2022		New York, NY
Ocean Avenue	Aggressive Growth	PE Buyout FOF		Oct-21		10/6/2022		Santa Monica, CA
P/E Diversified	Diversifying Strategies	Alternative Risk Premia		Oct-21		10/6/2022		Boston, MA
PanAgora	Stabilized Growth, RP	Risk Parity		Mar-18		10/6/2022		Boston, MA
Parametric	Cash	Cash Overlay		Apr-23		4/4/2023		Minneapolis, MN
PIMCO (RAE)	Traditional Growth	Emerging Markets				10/6/2022	8/22/2019	Newport Beach, CA
Principal US	Stabilized Growth, RE	Core Real Estate				10/6/2022		Des Moines, IA
Prologis	Stabilized Growth, RE	Core Real Estate		Oct-22		10/6/2022		San Francisco, CA
Raven III	Stabilized Growth, PC	Direct Lending		Feb-23			2/23/2018	New York, NY
Ridgemont	Aggressive Growth	Private Equity			Dec-23	10/6/2022		Charlotte, NC
RREEF America II	Stabilized Growth, RE	Core Real Estate		Jul-23				Kansas City, MO
Stellex Capital	Aggressive Growth	Private Equity		Jul-23			5/8/2020	New York, NY
Stockbridge RE III	Aggressive Growth	Value Added Real Estate		Jul-22	Sep-23			San Francisco, CA
Stone Harbor	Stabilized Growth, LC	Absolute Return		Apr-23		4/6/2023	2/3/2021	New York, NY
Walton Street	Aggressive Growth	Opportunistic Real Estate		Mar-20	Oct-23			Chicago, IL
White Oak Summit Peer	Stabilized Growth, PC	Direct Lending			Sep-23	7/24/2020		San Francisco, CA
White Oak Yield Spectrum	Stabilized Growth, PC	Direct Lending		Feb-19	Sep-23	7/24/2020	6/7/2019	San Francisco, CA

**General Meketa Review*   LC = Liquid Credit; PC = Private Credit; PP = Principal Protection; CRO = Crisis Risk Offset; RP = Risk Parity;

Managers Approved - Waiting to be funded

Liquidated Managers			Date Terminated	
KBI	Global Equity	Global Equity -Terminated	2016	Dublin, Ireland
Bridgewater	Risk Parity	Real Assets - Terminated	2016	Westport, CT
Parametric	Risk Parity	Risk Parity - Terminated	2016	Minneapolis, MN
Legato	Global Equity	Small Cap Growth -Terminated	2017	San Francisco, CA
Marinus	Credit	Credit HF - Terminated	2018	Westport, CT
Bridgewater	Crisis Risk Offset	Pure Alpha - Terminated	2019	Westport, CT
Stone Harbor	Credit	Bank Loans - Temrinated	2019	New York, NY
Prima	Principal Protection	Commercial MBS - Terminated	2020	Scarsdale, NY
BlackRock x4	Global Equity	US Equity x2; Non-US Developed; Non-US REIT -Terminated	2020	San Francisco, CA
Capital Prospects	Global Equity	Global Equity -Terminated	2020	Stamford, CT
PIMCO (RAFI)	Global Equity	Global Equity -Terminated	2019	Newport Beach, CA
DoubleLine	Principal Protection	Principal Protection -Terminated	2022	Los Angeles, CA
Raven	Opportunity Fund II	Stablized Growth - Fund Liquidated	2022	New York, NY
Lombard	Diversifying Strategies	Alternative Risk Premia	2023	New York, NY

San Joaquin County Employees' Retirement Association (SJCERA)

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	Commitment ($000)	Sub-Segment	Market Value	Physical % of Total	Policy Target %	1-Mo	3-Mos	YTD	1-Yr	3-Yrs	5-Yrs	SI Return	SI Date
TOTAL PLAN[1]			$ 4,077,646,546	100.0%	100.0%	1.6	2.7	6.5	3.6	6.7	5.9	7.6	Apr-90
Policy Benchmark [4]						*1.6*	*3.3*	*9.3*	*6.2*	*6.5*	*6.3*	*7.5*	
Difference:						0.0	-0.6	-2.8	-2.6	0.2	-0.4	0.1	
75/25 Portfolio [5]						*2.9*	*6.1*	*14.2*	*9.4*	*6.7*	*7.1*	*6.8*	
Difference:			.			-1.3	-3.4	-7.7	-5.8	0.0	-1.2	0.8	
Broad Growth			$ 3,146,449,623	77.2%	76.0%	2.2	3.6	8.0	5.0	8.8	6.9	8.2	Jan-95
Aggressive Growth Lag[2]			$ 380,684,291	9.3%	10.0%	-2.0	-2.0	-1.5	0.2	18.7	14.2	-2.1	Feb-05
Aggressive Growth Blend [6]						*0.0*	*2.4*	*5.0*	*-3.3*	*7.1*	*8.3*	*0.0*	
Difference:						-2.0	-4.4	-6.5	3.5	11.6	5.9	-2.1	
BlackRock Global Energy&Power Lag[3]	*$50,000*	*Global Infrastructure*	$ 45,722,010	1.1%		7.6	7.6	7.6	13.0	10.0	--	11.0	Jul-19
MSCI ACWI +2% Lag						*-3.7*	*10.4*	*3.5*	*-16.3*	*6.6*	*--*	*10.0*	
Difference:						11.3	-2.8	4.1	29.3	3.4	--	1.0	
BlackRock Infrastructure[3]	*$50,000*	*Global Infrastructure*	$ 4,237,433	0.1%		-9.1	-9.1	--	--	--	--	-9.1	Mar-23
MSCI ACWI +2% Lag						*3.3*	*8.0*	*--*	*--*	*--*	*--*	*8.0*	
Difference:						-12.4	-17.1	--	--	--	--	-17.1	
Lightspeed Venture Ptr Select V Lag[3]	*$40,000*	*Growth-Stage VC*	$ 9,540,042	0.2%		-0.7	-0.7	-2.0	--	--	--	--	Jun-22
MSCI ACWI +2% Lag						*-3.7*	*10.4*	*3.5*	*--*	*--*	*--*	*--*	
Difference:						3.0	-11.1	-5.5	--	--	--	--	
Long Arc Capital Fund Lag[3]	*$25,000*	*Growth-Stage VC*	$ 18,225,854	0.4%		-7.7	-7.7	--	--	--	--	-7.7	Apr-23
MSCI ACWI +2% Lag						*-3.7*	*10.4*	*--*	*--*	*--*	*--*	*10.4*	
Difference:						-4.0	-18.1	--	--	--	--	-18.1	
Ocean Avenue II Lag[3]	*$40,000*	*PE Buyout FOF*	$ 35,051,161	0.9%		-4.0	-4.0	-8.4	3.7	34.8	25.7	17.4	May-13
MSCI ACWI +2% Lag						*-3.7*	*10.4*	*3.5*	*-16.3*	*6.6*	*8.0*	*-16.3*	
Difference:						-0.3	-14.4	-11.9	20.0	28.2	17.7	33.7	
Ocean Avenue III Lag[3]	*$50,000*	*PE Buyout FOF*	$ 51,500,814	1.3%		-1.4	-1.4	1.4	5.6	25.9	25.6	24.3	Apr-16
MSCI ACWI +2% Lag						*-3.7*	*10.4*	*3.5*	*-16.3*	*6.6*	*8.0*	*8.3*	
Difference:						2.3	-11.8	-2.1	21.9	19.3	17.6	16.0	
Ocean Avenue IV Lag[3]	*$50,000*	*PE Buyout*	$ 57,346,297	1.4%		1.1	1.1	10.9	36.4	37.8	--	36.6	Dec-19
MSCI ACWI +2% Lag						*3.3*	*8.0*	*19.2*	*-5.1*	*18.2*	*--*	*11.3*	
Difference:						-2.2	-6.9	-8.3	41.5	19.6	--	25.3	
Ocean Avenue V Lag[3]	*$30,000*	*PE Buyout*	$ 3,000,000	0.1%		0.0	--	--	--	--	--	0.0	Jun-23
MSCI ACWI +2% Lag						*-3.7*	*--*	*--*	*--*	*--*	*--*	*-0.2*	
Difference:						3.7	--	--	--	--	--	0.2	
Morgan Creek III Lag[3]	*$10,000*	*Multi-Strat FOF*	$ 3,589,696	0.1%		0.0	0.0	-10.1	-18.0	-11.6	-12.3	-6.9	Feb-15
MSCI ACWI +2% Lag						*-3.7*	*10.4*	*3.5*	*-16.3*	*6.6*	*8.0*	*8.4*	
Difference:						3.7	-10.4	-13.6	-1.7	-18.2	-20.3	-15.3	
Morgan Creek V Lag[3]	*$12,000*	*Multi-Strat FOF*	$ 6,181,874	0.2%		-14.0	-14.0	-4.5	-5.2	9.2	10.0	12.6	Jun-13
MSCI ACWI +2% Lag						*-3.7*	*10.4*	*3.5*	*-16.3*	*6.6*	*8.0*	*8.5*	
Difference:						-10.3	-24.4	-8.0	11.1	2.6	2.0	4.1	
Morgan Creek VI Lag[3]	*$20,000*	*Multi-Strat FOF*	$ 22,598,408	0.6%		-0.2	-0.2	-2.1	-11.3	17.8	15.7	9.5	Feb-15
MSCI ACWI +2% Lag						*-3.7*	*10.4*	*3.5*	*-16.3*	*6.6*	*8.0*	*8.4*	
Difference:						3.5	-10.6	-5.6	5.0	11.2	7.7	1.1	

[1] Returns are preliminary and are finalized during each quarterly reporting cycle. Monthly returns since previous quarter are provided by the managers. Market values are provided by Northern Trust.

[2] Total class returns are as of 6/30/23, and lagged 1 quarter.

[3] Manager returns are as of 6/30/23, and lagged 1 quarter. Since Inception date reflects one quarter lag.

[4] 8/1/22 to present benchmark is 33**%** MSCI ACWI IMI, 9**%** BB Aggregate Bond Index, **16%** *50%* BB High Yield/*50%* S&P Leveraged Loans, 7% NCREIF ODCE +1% lag; **10%** T-Bill +4%, **10%** MSCI ACWI +2% Lag, **15%** CRO Custom Benchmark. Prior to 8/1/22 benchmark is legacy policy benchmark.

[5] 4/1/20 to present **75%** MSCI ACWI, **25%** BB Global Aggregate. Prior to 4/1/20 60% MSCI ACWI, 40% BB Global Aggregate.

[6] 1/1/2021 to present **50%** MSCI ACWI +2%,**50%** NCREIF ODCE +1%

San Joaquin County Employees' Retirement Association (SJCERA)

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	Commitment ($000)	Sub-Segment	Market Value	Physical % of Total	Policy Target %	1-Mo	3-Mos	YTD	1-Yr	3-Yrs	5-Yrs	SI Return	SI Date
Aggressive Growth Lag (continued)													
Ridgemont Equity Partners Lag[3]	*$50,000*	*Special Situations PE*	$ 4,294,149	0.1%		10.7	10.7	--	--	--	--	10.7	Apr-23
MSCI ACWI +2% Lag						*-3.7*	*10.4*	--	--	--	--	*10.4*	
Difference:						14.4	0.3	--	--	--	--	0.3	
Stellex Capital Partners II Lag[3]	*$50,000*	*Special Situations PE*	$ 31,442,516	0.8%		2.3	2.3	0.9	11.3	--	--	1.3	Jul-21
MSCI ACWI +2% Lag						*3.3*	*8.0*	*19.2*	*-5.1*	--	--	*-0.1*	
Difference:						-1.0	-5.7	-18.3	16.4	--	--	1.4	
Non-Core Private Real Assets Lag[3]	*$341,100*	*Private Real Estate*	$ 87,954,036	2.2%		-7.5	-7.5	-9.7	-19.4	7.2	4.7	-2.9	Nov-04
NCREIF ODCE + 1% Lag Blend						*-3.3*	*-3.1*	*-7.9*	*-3.0*	*8.5*	*7.6*	*8.4*	
Difference:						-4.2	-4.4	-1.8	-16.4	-1.3	-2.9	-11.3	
Opportunistic Private Real Estate[4]			$ 26,778,170	0.5%									
Greenfield VII[3]	*$19,100*	*Opportunistic Pvt. RE*	$ 1,719,141	0.0%		2.2	2.2	-3.6	-0.8	12.8	11.9	12.1	Oct-14
NCREIF ODCE + 1% Lag Blend						*-2.4*	*-2.4*	*-5.2*	*0.0*	*11.7*	*10.8*	*12.2*	
Difference:						4.6	4.6	1.6	-0.8	1.1	1.1	-0.1	
Grandview[3]	*$30,000*	*Opportunistic Pvt. RE*	$ 17,290,783	0.4%		-0.5	-0.5	3.6	-0.6	21.6	--	20.1	Apr-18
NCREIF ODCE + 1% Lag Blend						*-2.4*	*-2.4*	*-5.2*	*0.0*	*11.7*	*10.8*	*10.8*	
Difference:						1.9	1.9	8.8	-0.6	9.9	--	9.3	
Walton Street VI[3]	*$15,000*	*Opportunistic Pvt. RE*	$ 6,535,568	0.2%		2.1	2.1	10.4	14.0	11.6	4.7	8.2	Jul-09
NCREIF ODCE + 1% Lag Blend						*-2.4*	*-2.4*	*-5.2*	*0.0*	*11.7*	*10.8*	*11.7*	
Difference:						4.5	4.5	15.6	14.0	-0.1	-6.1	-3.5	
Value-Added Private Real Estate			$ 61,455,866	1.5%									
AG Core Plus IV[3]	*$20,000*	*Value-Added Pvt. RE*	$ 8,708,280	0.2%		-12.1	-12.1	-25.9	-27.3	-3.9	1.8	1.2	Sep-15
NCREIF ODCE + 1% Lag Blend						*-2.4*	*-2.4*	*-5.2*	*0.0*	*11.7*	*10.8*	*11.8*	
Difference:						-9.7	-9.7	-20.7	-27.3	-15.6	-9.0	-10.6	
Almanac Realty VI[3]	*$30,000*	*Value-Added Pvt. RE*	$ 4,053,325	0.1%		2.7	2.7	4.8	-1.1	3.6	-5.2	19.3	Feb-13
NCREIF ODCE + 1% Lag Blend						*-2.4*	*-2.4*	*-5.2*	*0.0*	*11.7*	*10.8*	*12.9*	
Difference:						5.1	5.1	10.0	-1.1	-8.1	-16.0	6.4	
Berkeley Partners Fund V, LP[3]	*$40,000*	*Value-Added Pvt. RE*	$ 25,579,810	0.6%		-2.8	-2.8	-9.9	-7.3	--	--	17.7	Aug-20
NCREIF ODCE + 1% Lag Blend						*-2.4*	*-2.4*	*-5.2*	*0.0*	*11.7*	*10.8*	*14.0*	
Difference:						-0.4	-0.4	-4.7	-7.3	--	--	3.7	
Stockbridge RE III[3]	*$45,000*	*Value-Added Pvt. RE*	$ 23,114,451	0.6%		-18.2	-18.2	-16.6	-15.3	13.1	7.8	7.8	Jul-18
NCREIF ODCE + 1% Lag Blend						*-2.4*	*-2.4*	*-5.2*	*0.0*	*11.7*	*10.8*	*10.8*	
Difference:						-15.8	-15.8	-11.4	-15.3	1.4	--	-3.0	

[1] Returns are preliminary and are finalized during each quarterly reporting cycle. Monthly returns since previous quarter are provided by the managers. Market values are provided by Northern Trust.

[2] MSCI ACWI IMI Net as of 4/1/2020, MSCI ACWI Gross prior.

[3] Manager returns are as of 6/30/23, and lagged 1 quarter. Since Inception date reflects one quarter lag.

[4] Market value includes Greenfield V $215,676; Greenfield VI $22,396, and Walton V $994,606

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	Commitment ($000)	Sub-Segment	Market Value	Physical % of Total	Policy Target %	1-Mo	3-Mos	YTD	1-Yr	3-Yrs	5-Yrs	SI Return	SI Date
Traditional Growth[2]			$ 1,556,327,602	38.2%	33.0%	3.8	8.7	18.0	13.0	11.3	7.0	9.0	Jan-95
MSCI ACWI IMI Net						*3.8*	*8.6*	*17.6*	*12.5*	*10.5*	*8.6*	*7.8*	
Difference:						0.0	0.1	0.4	0.5	0.8	-1.6	1.2	
Global Equity			$ 1,512,268,250	37.1%									
Northern Trust MSCI World IMI		*All Cap Global*	$ 1,353,648,179	33.2%		3.6	8.5	18.4	13.2	--	--	10.0	Sep-20
MSCI World IMI Net						*3.5*	*8.5*	*18.3*	*12.9*	*--*	*--*	*9.5*	
Difference:						0.1	0.0	0.1	0.3	--	--	0.5	
SJCERA Transition		*All Cap Global*	$ 3,164	0.0%		NM	NM	NM	NM	--	--	NM	Jul-20
Emerging Markets			$ 158,616,907										
GQG Active Emerging Markets		*Emerging Markets*	$ 67,701,620	1.7%		5.8	12.6	21.3	16.3	--	--	3.8	Aug-20
MSCI Emerging Markets Index Net						*6.2*	*8.4*	*11.4*	*8.3*	*--*	*--*	*1.5*	
Difference:						-0.4	4.2	9.9	8.0	--	--	2.3	
PIMCO RAE Fundamental Emerging Markets		*Emerging Markets*	$ 90,915,287	2.2%		7.9	11.5	19.7	26.7	16.0	5.7	5.4	Apr-07
MSCI Emerging Markets Index Net						*6.2*	*8.4*	*11.4*	*8.3*	*1.5*	*1.7*	*3.2*	
Difference:						1.7	3.1	8.3	18.4	14.5	4.0	2.2	
REITS			$ 44,059,352	1.1%									
Invesco All Equity REIT		*Core US REIT*	$ 44,059,352	1.1%		1.8	1.1	4.2	-11.2	4.1	3.9	7.6	Aug-04
FTSE NAREIT Equity Index						*2.9*	*4.7*	*8.4*	*-5.8*	*8.5*	*5.0*	*7.5*	
Difference:						-1.1	-3.6	-4.2	-5.4	-4.4	-1.1	0.1	
Stabilized Growth			$ 1,209,437,730	29.7%	33.0%	0.9	-0.5	0.2	-2.4	3.6	4.9	3.7	Jan-05
Risk Parity			$ 377,157,073	9.2%		2.0	-0.7	5.3	-8.0	-1.5	2.1	3.2	
T-Bill +4%						*0.7*	*2.2*	*5.0*	*8.1*	*5.5*	*5.7*	*4.8*	
Difference:						1.3	-2.9	0.3	-16.1	-7.0	-3.6	-1.6	
Bridgewater All Weather		*Risk Parity*	$ 195,317,220	4.8%		2.7	0.0	7.2	-4.9	0.2	2.6	3.5	Mar-12
T-Bill +4%						*0.7*	*2.2*	*5.0*	*8.1*	*5.5*	*5.7*	*4.9*	
Difference:						2.0	-2.2	2.2	-13.0	-5.3	-3.1	-1.4	
PanAgora Diversified Risk Multi-Asset		*Risk Parity*	$ 181,839,853	4.5%		1.3	-1.6	3.4	-11.0	-3.2	1.6	3.2	Apr-16
T-Bill +4%						*0.7*	*2.2*	*5.0*	*8.1*	*5.5*	*5.7*	*5.4*	
Difference:						0.6	-3.8	-1.6	-19.1	-8.7	-4.1	-2.2	
Liquid Credit			$ 237,852,878	5.8%		1.4	2.9	5.7	7.6	2.4	2.6	2.1	
50% BB High Yield, 50% S&P/LSTA Leveraged Loans						*1.3*	*2.8*	*7.3*	*7.1*	*4.1*	*3.9*	*5.4*	
Difference:						0.1	0.1	-1.6	0.5	-1.7	-1.3	-3.3	
Neuberger Berman		*Global Credit*	$ 101,426,419	2.5%		1.4	2.5	5.7	5.3	0.8	--	2.2	Feb-19
33% ICE BofA HY Constrained, 33% S&P/LSTA LL, 33% JPM EMBI Glbl Div.						*1.5*	*3.0*	*6.9*	*6.8*	*1.5*	*--*	*2.7*	
Difference:						-0.1	-0.5	-1.2	-1.5	-0.7	--	-0.5	
Stone Harbor Absolute Return		*Absolute Return*	$ 136,426,459	3.3%		1.4	3.2	5.5	9.1	3.6	3.0	2.9	Oct-06
3-Month Libor Total Return						*0.4*	*1.3*	*2.8*	*4.0*	*1.4*	*1.8*	*1.5*	
Difference:						1.0	1.9	2.7	5.1	2.2	1.2	1.4	

[1] Returns are preliminary and are finalized during each quarterly reporting cycle. Monthly returns since previous quarter are provided by the managers. Market values are provided by Northern Trust.

[2] MSCI ACW IMI Net as of 4/1/2020, MSCI ACWI Gross prior.

San Joaquin County Employees' Retirement Association (SJCERA)

Preliminary Monthly Flash Report (Net)[1] — **July 2023**

	Commitment ($000)	Sub-Segment	Market Value	Physical % of Total	Policy Target %	1-Mo	3-Mos	YTD	1-Yr	3-Yrs	5-Yrs	SI Return	SI Date
Private Credit Lag[2]			$ 362,618,470	8.9%		-0.9	-0.9	-3.0	-2.2	4.1	3.2	3.4	
50% BB High Yield, 50% S&P/LSTA Leveraged Loans						*0.2*	*4.0*	*7.5*	*5.6*	*9.7*	*8.9*	*9.0*	
Difference:						-1.1	-4.9	-10.5	-7.8	-5.6	-5.7	-5.6	
BlackRock Direct Lending Lag[3]	*$100,000*	*Direct Lending*	$ 85,013,668	2.1%		-1.0	-1.0	-1.0	-2.0	---	---	4.7	May-20
S&P/LSTA Leveraged Loans +3% Blend[4]						*0.2*	*4.0*	*4.0*	*5.6*	*---*	*---*	*9.6*	
Difference:						-1.2	-5.0	-5.0	-7.6	---	---	-4.9	
Mesa West RE Income IV Lag[3]	*$75,000*	*Comm. Mortgage*	$ 33,530,938	0.8%		-11.1	-11.1	-12.2	-13.4	-0.2	3.2	4.3	Mar-17
S&P/LSTA Leveraged Loans +3% Blend[4]						*0.2*	*4.0*	*7.5*	*5.6*	*9.7*	*8.9*	*8.9*	
Difference:						-11.3	-15.1	-19.7	-19.0	-9.9	-5.7	-4.6	
Crestline Opportunity II Lag[3]	*$45,000*	*Opportunistic*	$ 12,633,885	0.3%		0.1	0.1	-8.6	-14.9	-0.2	-2.0	2.7	Nov-13
S&P/LSTA Leveraged Loans +3% Blend[4]						*0.2*	*4.0*	*7.5*	*5.6*	*9.7*	*8.9*	*8.9*	
Difference:						-0.1	-3.9	-16.1	-20.5	-9.9	-10.9	-6.2	
Davidson Kempner Distr Opp V Lag[3]	*$50,000*	*Opportunistic*	$ 49,941,746	0.0%		2.5	2.5	2.2	-0.9	--	--	19.5	Oct-20
S&P/LSTA Leveraged Loans +3% Blend[4]						*0.2*	*4.0*	*7.5*	*5.6*	*--*	*--*	*10.1*	
Difference:						2.3	-1.5	-5.3	-6.5	--	--	9.4	
Oaktree Lag[3]	*$50,000*	*Leveraged Direct*	$ 31,041,759	0.8%		3.5	3.5	-1.2	1.6	13.2	--	10.4	Mar-18
S&P/LSTA Leveraged Loans +3% Blend[4]						*0.2*	*4.0*	*7.5*	*5.6*	*9.7*	*--*	*8.9*	
Difference:						3.3	-0.5	-8.7	-4.0	3.5	--	1.5	
HPS EU Asset Value II Lag[3]	*$50,000*	*Direct Lending*	$ 26,851,793	0.7%		2.4	2.4	5.1	9.0	--	--	4.8	Aug-20
S&P/LSTA Leveraged Loans +3% Blend[4]						*0.2*	*4.0*	*7.5*	*5.6*	*--*	*--*	*10.1*	
Difference:						2.2	-1.6	-2.4	3.4	--	--	-5.3	
Raven Opportunity III Lag[3]	*$50,000*	*Direct Lending*	$ 55,627,212	1.4%		-2.3	-2.3	-4.8	2.5	6.2	7.6	4.0	Nov-15
S&P/LSTA Leveraged Loans +3% Blend[4]						*0.2*	*4.0*	*7.5*	*5.6*	*9.7*	*8.9*	*8.9*	
Difference:						-2.5	-6.3	-12.3	-3.1	-3.5	-1.3	-4.9	
Medley Opportunity II Lag[2]	*$50,000*	*Direct Lending*	$ 4,378,784	0.1%		0.0	0.0	0.0	0.0	-5.1	-9.2	-2.1	Jul-12
S&P/LSTA Leveraged Loans +3% Blend[3]						*0.2*	*4.0*	*7.5*	*5.6*	*9.7*	*8.9*	*9.0*	
Difference:						-0.2	-4.0	-7.5	-5.6	-14.8	-18.1	-11.1	
White Oak Summit Peer Fund Lag[2]	*$50,000*	*Direct Lending*	$ 24,699,709	0.6%		1.0	1.0	1.7	-9.5	-1.3	1.5	3.3	Mar-16
S&P/LSTA Leveraged Loans +3% Blend[3]						*0.2*	*4.0*	*7.5*	*5.6*	*9.7*	*8.9*	*8.9*	
Difference:						0.8	-3.0	-5.8	-15.1	-11.0	-7.4	-5.6	
White Oak Yield Spectrum Master V Lag[2]	*$50,000*	*Direct Lending*	$ 38,898,976	1.0%		-0.4	-0.4	-4.1	-3.5	2.0	--	2.0	Mar-20
S&P/LSTA Leveraged Loans +3% Blend[3]						*0.2*	*4.0*	*7.5*	*5.6*	*9.7*	*--*	*9.6*	
Difference:						-0.6	-4.4	-11.6	-9.1	-7.7	--	-7.6	
Core Private Real Estate Lag			$ 231,809,308	5.7%									
Principal US[2]	*$25,000*	*Core Pvt. RE*	$ 42,391,201	1.0%		-3.2	-3.2	-8.9	-6.1	7.4	6.9	7.9	Jan-16
NCREIF ODCE + 1% Lag Blend						*5.5*	*5.5*	*33.2*	*33.2*	*16.1*	*13.9*	*11.3*	
Difference:						-8.7	-8.7	-42.1	-39.3	-8.7	-7.0	-3.4	
Prologis Logistics[2]	*$50,500*	*Core Pvt. RE*	$ 130,379,818	3.2%		-0.3	-0.3	-5.3	0.2	21.4	19.2	8.9	Dec-07
NCREIF ODCE + 1% Lag Blend						*5.5*	*5.5*	*33.2*	*33.2*	*16.1*	*13.9*	*9.4*	
Difference:						-5.8	-5.8	-38.5	-33.0	5.3	5.3	-0.5	
RREEF America II[2]	*$45,000*	*Core Pvt. RE*	$ 59,038,289	1.4%		-6.3	-6.3	-10.5	-4.4	7.9	7.2	7.7	Jul-16
NCREIF ODCE + 1% Lag Blend						*5.5*	*5.5*	*33.2*	*33.2*	*16.1*	*13.9*	*11.0*	
Difference:						-11.8	-11.8	-43.7	-37.6	-8.2	-6.7	-3.3	

[1] Returns are preliminary and are finalized during each quarterly reporting cycle. Monthly returns since previous quarter are provided by the managers. Market values are provided by Northern Trust.

[2] Total class returns are as of 6/30/23, and lagged 1 quarter.

[3] Manager returns are as of 6/30/23, and lagged 1 quarter. Since Inception date reflects one quarter lag.

[4] 9% Annual until 6/30/2018; CPI +6% Annual 7/1/2018 - 3/31/2022; S&P/LSTA Leveraged Loans +3% thereafter.

San Joaquin County Employees' Retirement Association (SJCERA)

Preliminary Monthly Flash Report (Net)[1] July 2023

	Commitment ($000)	Sub-Segment	Market Value	Physical % of Total	Policy Target %	1-Mo	3-Mos	YTD	1-Yr	3-Yrs	5-Yrs	SI Return	SI Date
Diversifying Strategies			$ 765,345,960	18.8%	24.0%	-0.4	-0.3	0.8	-1.6	0.2	2.8	6.0	Oct-90
Principal Protection			$ 293,475,310	7.2%	9.0%	0.3	-0.5	3.2	-1.2	-1.5	0.9	5.8	Oct-90
BB Aggregate Bond Index						*-0.1*	*-1.5*	*2.0*	*-3.4*	*-4.5*	*0.7*	*5.3*	
Difference:						0.4	1.0	1.2	2.2	3.0	0.2	0.5	
Dodge & Cox		*Core Fixed Income*	$ 201,012,246	4.9%		0.4	-0.1	3.5	-0.3	-2.2	2.1	6.5	Oct-90
BB Aggregate Bond Index						*-0.1*	*-1.5*	*2.0*	*-3.4*	*-4.5*	*0.7*	*5.3*	
Difference:						0.5	1.4	1.5	3.1	2.3	1.4	1.2	
Loomis Sayles		*Core Fixed Income*	$ 92,463,064	2.3%		0.0	-1.4	2.4	-3.2	--	--	-3.9	Mar-22
BB Aggregate Bond Index						*-0.1*	*-1.5*	*2.0*	*-3.4*	*--*	*--*	*-4.3*	
Difference:						0.1	0.1	0.4	0.2	--	--	0.4	
Crisis Risk Offset			$ 471,870,649	11.6%	15.0%	-0.8	-0.1	-0.6	-2.0	1.7	4.2	6.2	Jan-05
CRO Custom Benchmark [2]						*-0.5*	*-0.5*	*1.6*	*-1.2*	*0.1*	*4.0*	*4.8*	
Difference:						-0.3	0.4	-2.2	-0.8	1.6	0.2	1.4	
Long Duration			$ 114,306,357	2.8%		-2.0	-4.9	2.2	-10.5	-13.0	-1.0	-1.1	
BB US Long Duration Treasuries						*-2.2*	*-4.9*	*1.5*	*-11.2*	*-13.9*	*-1.0*	*-1.1*	
Difference:						0.2	0.0	0.7	0.7	0.9	0.0	0.0	
Dodge & Cox Long Duration		*Long Duration*	$ 114,306,357	2.8%		-2.0	-4.9	2.2	-10.5	-13.0	-1.0	-1.1	Feb-16
BB US Long Duration Treasuries						*-2.2*	*-4.9*	*1.5*	*-11.2*	*-13.9*	*-1.0*	*-1.1*	
Difference:						0.2	0.0	0.7	0.7	0.9	0.0	0.0	
Systematic Trend Following			$ 240,781,519	5.9%		1.1	2.6	-0.2	0.4	15.2	8.6	8.9	
BTOP50 Index						*0.3*	*2.3*	*0.0*	*1.9*	*9.8*	*7.1*	*5.0*	
Difference:						0.8	0.3	-0.2	-1.5	5.4	1.5	3.9	
Mt. Lucas Managed Futures - Cash		*Systematic Trend Following*	$ 121,926,654	3.0%		2.1	0.1	-0.5	-0.9	17.2	8.1	8.3	Jan-05
BTOP50 Index						*0.3*	*2.3*	*0.0*	*1.9*	*9.8*	*7.1*	*5.0*	
Difference:						1.8	-2.2	-0.5	-2.8	7.4	1.0	3.3	
Graham Tactical Trend		*Systematic Trend Following*	$ 118,854,865	2.9%		0.1	5.2	0.2	1.9	13.2	9.0	4.6	Apr-16
SG Trend Index						*-1.6*	*3.4*	*-1.4*	*1.8*	*12.5*	*9.5*	*5.0*	
Difference:						1.7	1.8	1.6	0.1	0.7	-0.5	-0.4	
Alternative Risk Premia			$ 116,782,774	2.9%		-3.2	-0.5	-4.5	-0.6	-0.8	1.2	7.0	
5% Annual						*0.4*	*1.2*	*2.9*	*5.0*	*5.0*	*5.0*	*6.2*	
Difference:						-3.6	-1.7	-7.4	-5.6	-5.8	-3.8	0.8	
AQR Style Premia		*Alternative Risk Premia*	$ 57,244,823	1.4%		-1.1	2.4	3.8	14.1	17.9	0.6	1.1	May-16
5% Annual						*0.4*	*1.2*	*2.9*	*5.0*	*5.0*	*5.0*	*5.0*	
Difference:						-1.5	1.2	0.9	9.1	12.9	-4.4	-3.9	
PE Diversified Global Macro		*Alternative Risk Premia*	$ 59,537,951	1.5%		-5.1	-3.2	-11.3	-5.6	-3.5	2.3	1.3	Jun-16
5% Annual						*0.4*	*1.2*	*2.9*	*5.0*	*5.0*	*5.0*	*5.0*	
Difference:						-5.5	-4.4	-14.2	-10.6	-8.5	-2.7	-3.7	
Cash[3]			$ 137,456,034	3.4%	0.0%	0.3	1.0	2.0	3.4	1.2	1.3	2.3	Sep-94
US T-Bills						*0.4*	*1.3*	*2.7*	*4.0*	*1.4*	*1.6*	*2.3*	
Difference:						-0.1	-0.3	-0.7	-0.6	-0.2	-0.3	0.0	
Northern Trust STIF		*Collective Govt. Short Term*	$ 97,329,526	2.4%		0.4	1.2	2.5	3.5	1.3	1.3	2.6	Jan-95
US T-Bills						0.4	1.3	2.7	4.0	1.4	1.6	*2.3*	
Difference:						0.0	-0.1	-0.2	-0.5	-0.1	-0.3	0.3	
Parametric Overlay[4]		*Cash Overlay*	$ 28,394,929	0.7%		0.0	0.0	0.0	0.0	--	--	0.0	Jan-20

[1] Returns are preliminary and are finalized during each quarterly reporting cycle. Monthly returns since previous quarter are provided by the managers. Market values are provided by Northern Trust.

[2] Benchmark is (1/3) BB Long Duration Treasuries, (1/3) BTOP50 Index, (1/3) 5% Annual.

[3] Includes lagged cash.

[4] Given daily cash movement returns may vary from those shown above.

Economic and Market Update

July 2023 Report

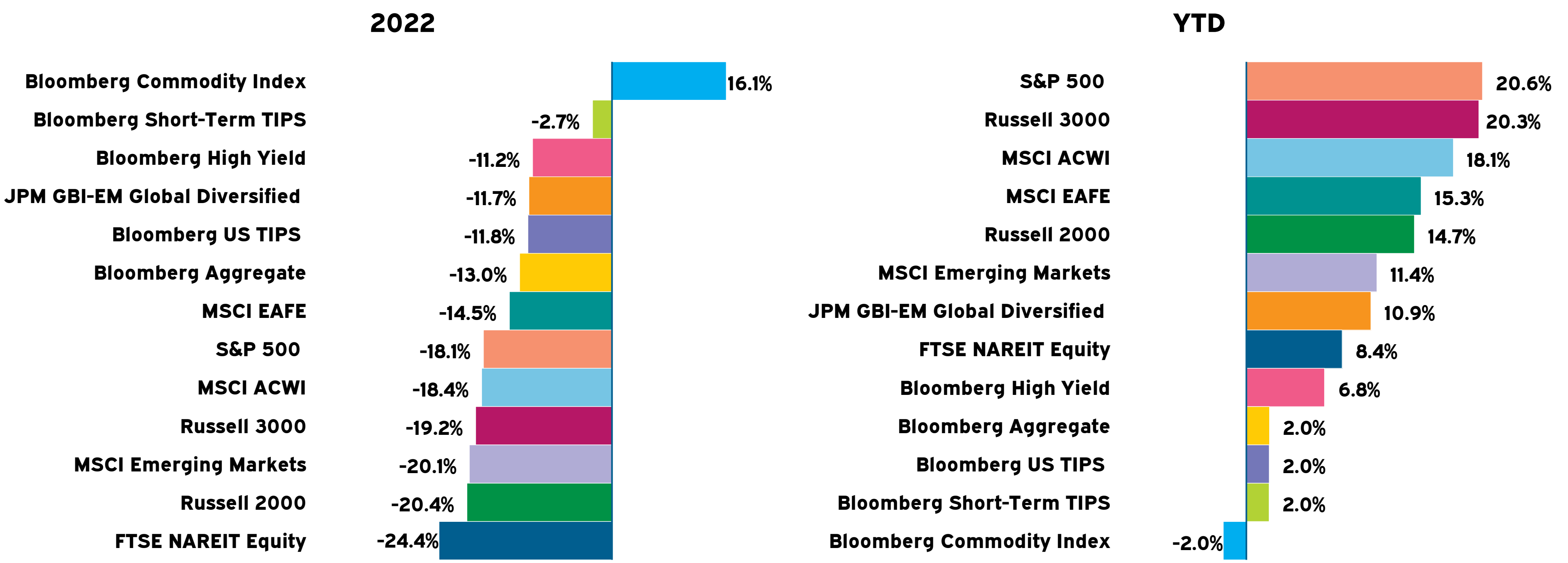
Commentary

→ Riskier assets continued to gain in July as economic data remained resilient while inflation receded. Except for commodities, most public market asset classes remained positive for the year, with US equities leading the way.

- After a pause in June, the Federal Reserve increased interest rates in July by 0.25% to a range of 5.25% - 5.5%, the highest level in over two decades. Markets are largely expecting that this will be the Fed's final rate increase.
- US equity markets (Russell 3000 index) continued to rise in July (+3.8%), bringing the year-to-date gains to 20.3%. The technology sector remains the key driver of results this year, helped by artificial intelligence optimism.
- Non-US developed equity markets also rose in July (MSCI EAFE +3.2%), but they continue to trail US markets year-to-date (15.3% versus 20.3%).
- Emerging market equities had the strongest results in July, gaining 6.2%, driven by optimism over additional policy support in China. They continue to trail developed market equities year-to-date though, returning 11.4%, due partly to China's weak results for the period.
- Generally, corporate bonds outperformed government bonds for the month on continued risk appetite. Overall, interest rates increased slightly in July, leading to a small decline in the broad US bond market (-0.1%). The index remains positive (+2.0%) year-to-date on declining inflation and expectations for the Fed to end their rate hikes soon.

→ This year, the paths of inflation and monetary policy, slowing global growth, and the war in Ukraine will all be key.

Index Returns[1]



→ After a particularly difficult 2022, most public market assets are up thus far in 2023, led by developed market equities.

→ Risk sentiment has been supported by expectations that policy tightening could be ending soon, as inflation continues to fall, while growth has remained relatively resilient.

[1] Source: Bloomberg. Data is as of July 31, 2023.

Domestic Equity Returns[1]

Domestic Equity	July (%)	Q2 (%)	YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)
S&P 500	3.2	8.7	20.6	13.0	13.7	12.2	12.7
Russell 3000	3.6	8.4	20.3	12.6	13.1	11.4	12.1
Russell 1000	3.4	8.6	20.7	12.9	13.2	11.9	12.4
Russell 1000 Growth	3.4	12.8	33.4	17.3	12.2	15.2	15.5
Russell 1000 Value	3.5	4.1	8.8	8.3	14.1	8.0	9.0
Russell MidCap	4.0	4.8	13.3	8.7	11.8	8.8	10.1
Russell MidCap Growth	3.0	6.2	19.4	13.0	6.0	9.9	11.2
Russell MidCap Value	4.4	3.9	9.8	6.2	14.9	7.2	8.9
Russell 2000	6.1	5.2	14.7	7.9	12.0	5.1	8.2
Russell 2000 Growth	4.7	7.1	18.9	11.6	6.5	4.8	8.5
Russell 2000 Value	7.5	3.2	10.2	3.9	17.5	4.7	7.4

US Equities: Russell 3000 Index rose 3.6% in July and 20.3% YTD.

→ Equity investors continue to express optimism that the Federal Reserve's monetary tightening will not have serious impacts on earnings. Though corporate profits were down compared to a year ago, approximately 80% of S&P 500 companies that reported second quarter results in July exceeded earnings expectations.

→ In contrast to the year-to-date trend, value stocks outperformed growth stocks in July, particularly in small cap, driven by outperformance in financials and energy. So far in 2023, growth has significantly outperformed value driven by optimism over artificial intelligence.

→ Small cap stocks outperformed large cap stocks in July, but trail for the full year, again due to the strength of the technology sector. The July dynamic was driven partially by the outperformance of small cap banks after regulators announced higher capital requirements for larger banks.

[1] Source: Bloomberg. Data is as of July 31, 2023.

Foreign Equity Returns[1]

Foreign Equity	July (%)	Q2 (%)	YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)
MSCI ACWI ex. US	4.1	2.4	13.9	13.4	7.1	3.9	4.7
MSCI EAFE	3.2	3.0	15.3	16.8	9.3	4.5	5.2
MSCI EAFE (Local Currency)	1.7	4.3	14.0	13.6	13.0	6.2	7.4
MSCI EAFE Small Cap	4.4	0.6	10.2	7.9	6.1	2.1	6.0
MSCI Emerging Markets	6.2	0.9	11.4	8.3	1.5	1.7	3.5
MSCI Emerging Markets (Local Currency)	5.3	1.7	11.1	8.6	3.0	3.7	6.1
MSCI China	10.8	-9.7	4.7	1.8	-9.9	-2.8	3.7

Foreign Equity: Developed international equities (MSCI EAFE) rose 3.2% in July bringing the YTD gains to 15.3%. Emerging market equities (MSCI EM) rose 6.2% in July, rising 11.4% YTD.

→ International equities also had strong results in July, led by China and emerging markets more broadly.

→ Japanese equities continued their steady rise, especially in the mid- and small-cap sectors. Eurozone and UK equities were broadly supported by falling inflation and solid corporate fundamentals.

→ After a disappointing reopening of the economy, China's government announced additional support to stimulate consumption and bolster the real estate sector, leading to double-digit gains for the month (10.8%). India underperformed as higher food costs kept inflation elevated.

[1] Source: Bloomberg. Data is as of July 31, 2023.

Fixed Income Returns[1]

Fixed Income	July (%)	Q2 (%)	YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Current Yield (%)	Duration (Years)
Bloomberg Universal	0.1	-0.6	2.4	-2.4	-4.0	1.0	1.8	5.2	6.2
Bloomberg Aggregate	-0.1	-0.8	2.0	-3.4	-4.5	0.7	1.5	4.9	6.5
Bloomberg US TIPS	0.1	-1.4	2.0	-5.4	-0.8	2.6	2.0	4.6	6.9
Bloomberg Short-term TIPS	0.5	-0.7	2.0	-1.2	2.3	2.9	1.7	5.3	2.7
Bloomberg High Yield	1.4	1.7	6.8	4.4	2.0	3.4	4.4	8.3	4.0
JPM GBI-EM Global Diversified (USD)	2.9	2.5	10.9	14.3	-1.5	0.5	-0.2	6.5	5.0

Fixed Income: The Bloomberg Universal rose 0.1% in July remaining positive YTD (+2.4%), as inflation continues to decline, and yields remain high.

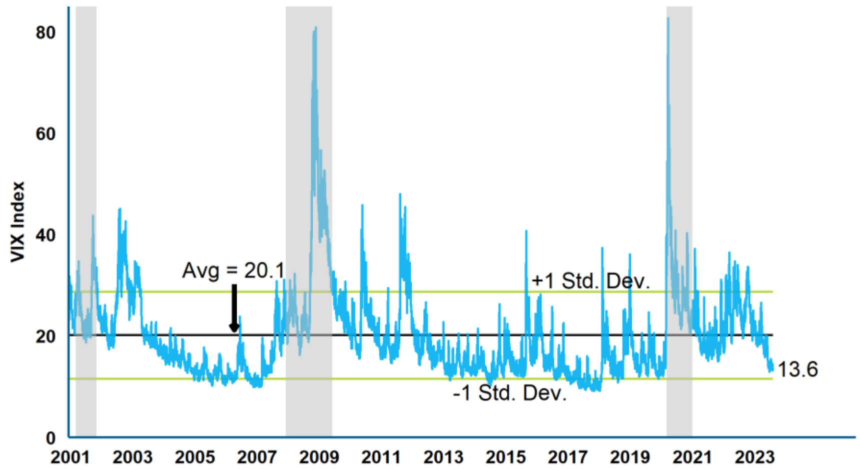
→ In July, riskier bonds continued to outperform government bonds on optimism over a potential soft landing of the economy.

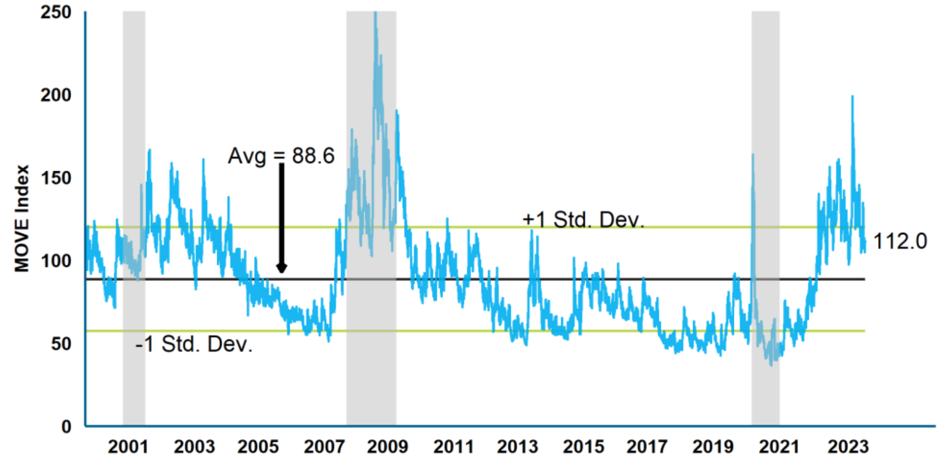
→ The broad US bond market (Bloomberg Aggregate) declined slightly for the month (-0.1%) while the TIPS index, and the short-term TIPS index both posted small gains. All three indexes now have the same results so far in 2023.

→ In the risk-on environment, high yield bonds rose 1.4% for the month, while emerging market bonds were the top performer, up 2.9%. The two asset classes remain the top performers for the year.

[1] Source: Bloomberg. JPM GBI-EM data is from InvestorForce. Data is as of July 31, 2023. The yield and duration data from Bloomberg is defined as the index's yield to worst and modified duration respectively.

Equity and Fixed Income Volatility[1]



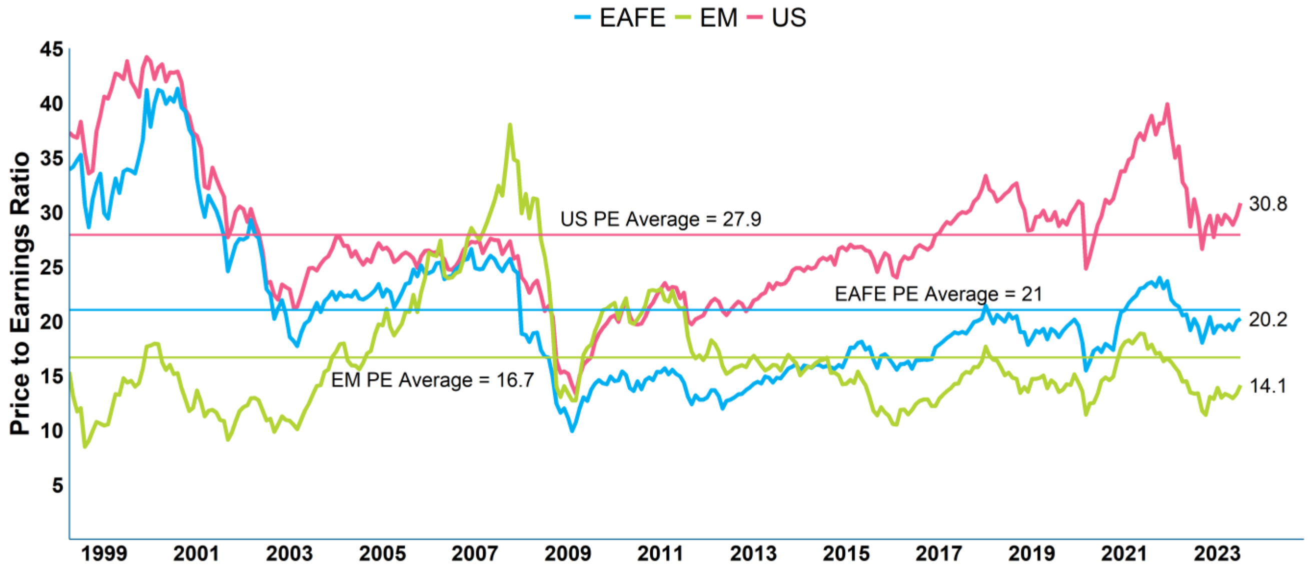


→ Volatility in equities (VIX) remains well below the historical average as investors continue to anticipate the end of the Fed's policy tightening.

→ The bond market continues to be volatile after last year's historic losses and due to policy uncertainty and previous issues in the banking sector. The MOVE (fixed income volatility) remains well above (112.0) its long-run average (88.6), but off its recent peak during the heart of the banking crisis.

[1] Equity and Fixed Income Volatility – Source: Bloomberg. Implied volatility as measured using VIX Index for equity markets and the MOVE Index to measure interest rate volatility for fixed income markets. Data is as of July 2023. The average line indicated is the average of the VIX and MOVE values between January 2000 and July 2023.

Equity Cyclically Adjusted P/E Ratios[1]

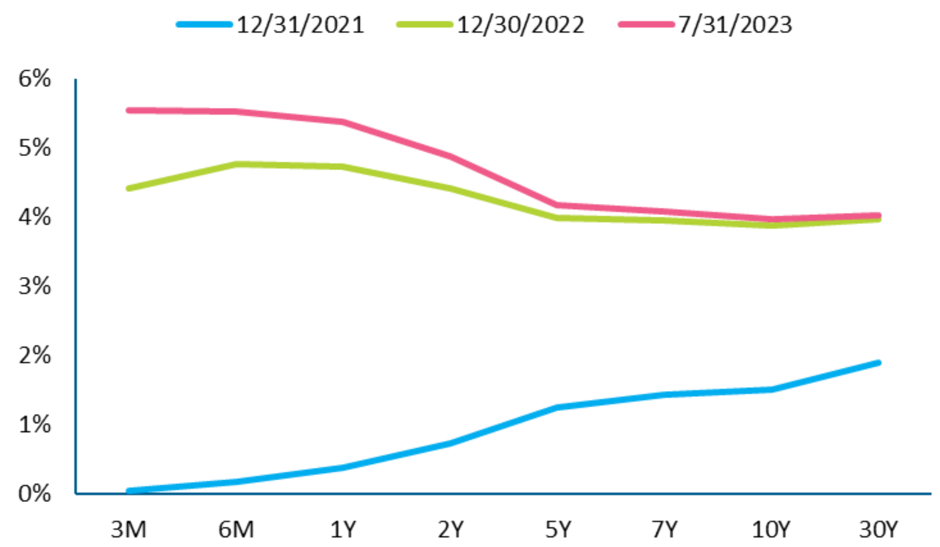


→ Given the strong technology-driven rally this year, the US equity price-to-earnings ratio increased above its long-run (21st century) average.

→ International developed market valuations are below their own long-term average, with those for emerging markets the lowest and well under the long-term average.

[1] US Equity Cyclically Adjusted P/E on S&P 500 Index. Source: Robert Shiller, Yale University, and Meketa Investment Group. Developed and Emerging Market Equity (MSCI EAFE and EM Index) Cyclically Adjusted P/E – Source: MSCI and Bloomberg. Earnings figures represent the average of monthly "as reported" earnings over the previous ten years. Data is as of July 2023. The average line is the long-term average of the US, EM, and EAFE PE values from December 1999 to the recent month-end respectively.

US Yield Curve[1]

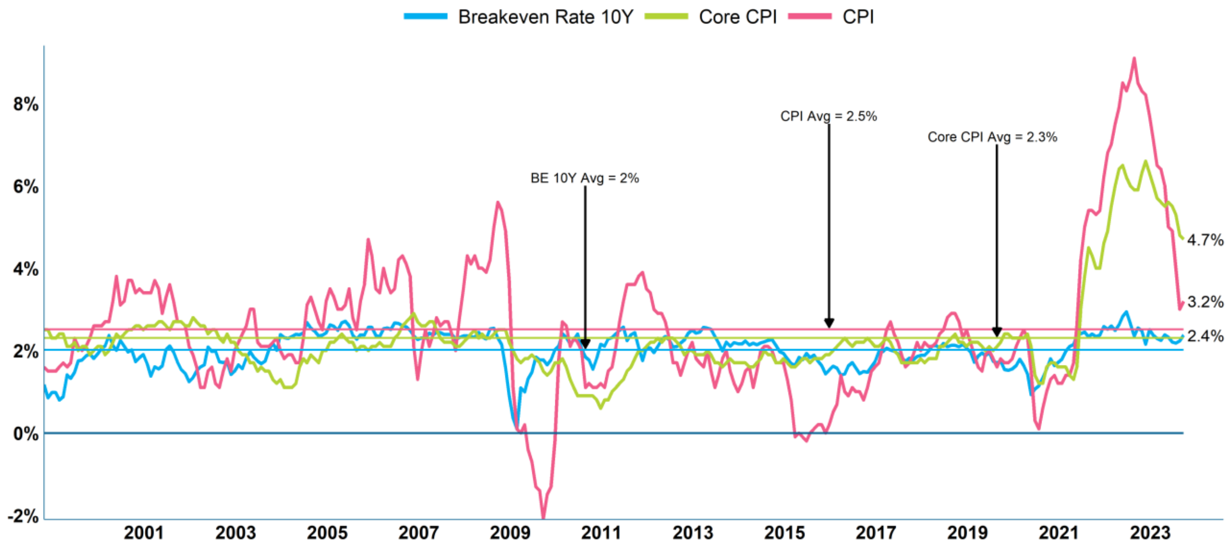


→ In July, very short-term interest rates (6-months or less) fell as it appears interest rate hikes might be coming to an end. Longer dated maturities continued to drift higher, as economic data remains resilient. So far in 2023, rates overall remain higher, particularly the policy sensitive front-end of the yield curve.

→ The yield curve remains inverted with the spread between two-year and ten-year Treasuries finishing the month at -0.91%. The more closely watched measure (by the Fed) of the three-month and ten-year Treasuries spread also remained inverted at -1.60%. Inversions in the yield curve have often preceded recessions.

[1] Source: Bloomberg. Data is as of July 31, 2023.

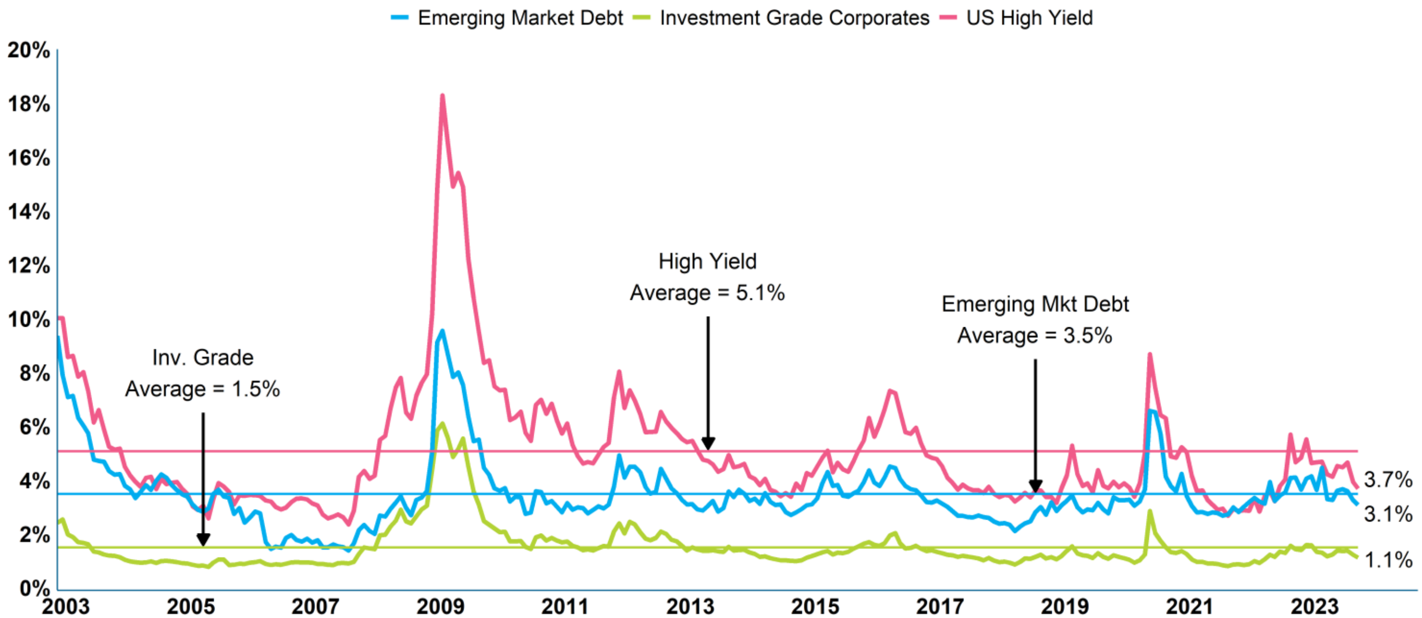
Ten-Year Breakeven Inflation and CPI[1]



- → Declines in inflation while other economic data remains strong has led to optimism over the Federal Reserve potentially achieving a rarely observed soft landing for the economy.
- → Year-over-year headline inflation rose slightly in July (3.0% to 3.2%) but came in below expectations. The trend of lower month-over-month price increases continued with the rate staying steady at 0.2%.
- → Core inflation – excluding food and energy - fell (4.8% to 4.7%) year-over-year. It remains stubbornly high though driven by shelter costs (+7.7%), particularly owners equivalent rent, and transportation services (+9.0%).
- → Inflation expectations (breakevens) remain well below current inflation as investors continue to expect inflation to track back toward the Fed's 2% average target.

[1] Source: Bloomberg. Data is as July 31, 2023. The CPI and 10 Year Breakeven average lines denote the average values from August 1998 to the present month-end, respectively. Breakeven values represent month-end values for comparative purposes.

Credit Spreads vs. US Treasury Bonds[1]

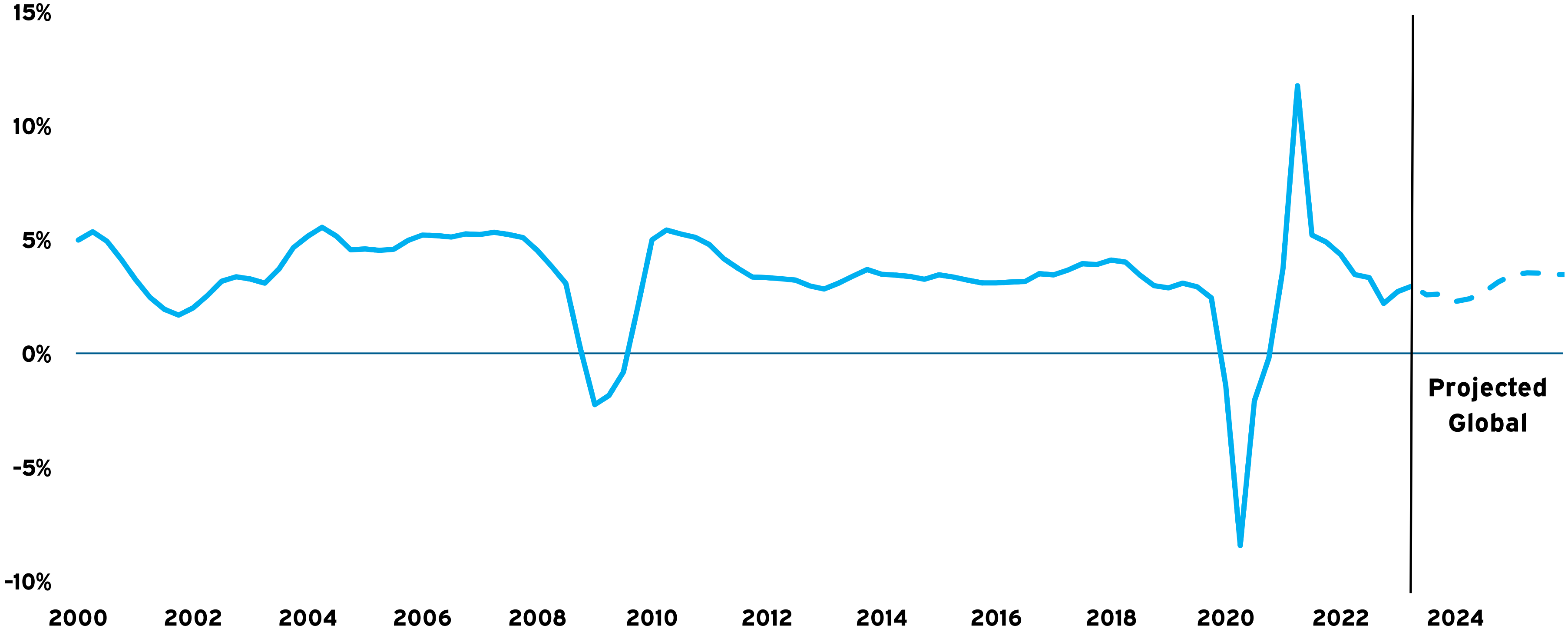


→ Credit markets outperformed government bonds for the month with spreads (the added yield above a comparable maturity Treasury) declining. Risk appetite was strong as growth remains resilient, while inflation continues to decline.

→ High yield spreads remain well below the long-term average. Investment grade and emerging market spreads are also below their respective long-term averages, but by smaller margins.

[1] Sources: Bloomberg. Data is as of July 31, 2023. Average lines denote the average of the investment grade, high yield, and emerging market spread values from August 2000 to the recent month-end, respectively.

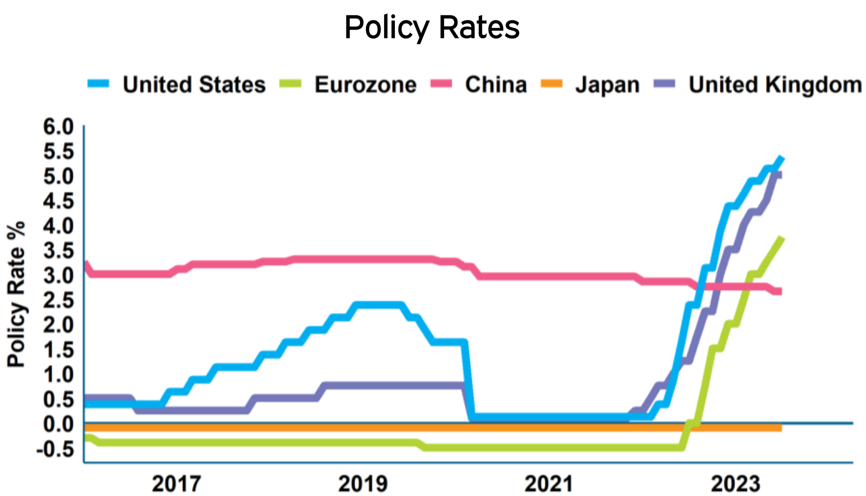
Global Real Gross Domestic Product (GDP) Growth[1]

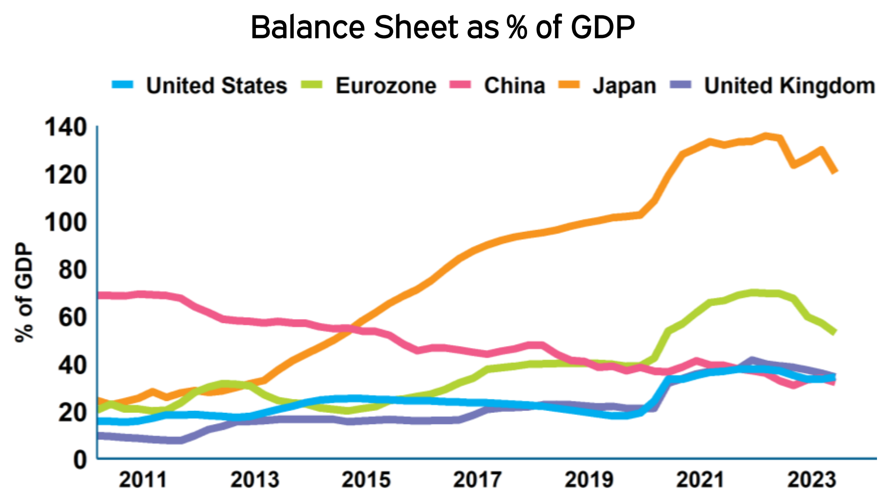


- → Global economies are expected to slow this year compared to 2022. The risk of recession remains given policymakers' aggressive tightening, but optimism has started to grow over some central banks potentially navigating a soft landing.
- → The delicate balancing act of central banks trying to reduce inflation without dramatically depressing growth will remain key.

[1] Source: Oxford Economics (World GDP, US$ prices & PPP exchange rate, real, % change YoY). Updated July 2023.

Central Bank Response[1]





→ Slowing inflation and growth have led to expectations for a reduction in the pace of aggressive policy tightening.

→ In July the Fed raised rates another 25 basis points to a range of 5.25% to 5.50% with markets largely expecting this to be the last rate increase. After month-end, the FOMC paused its tightening campaign.

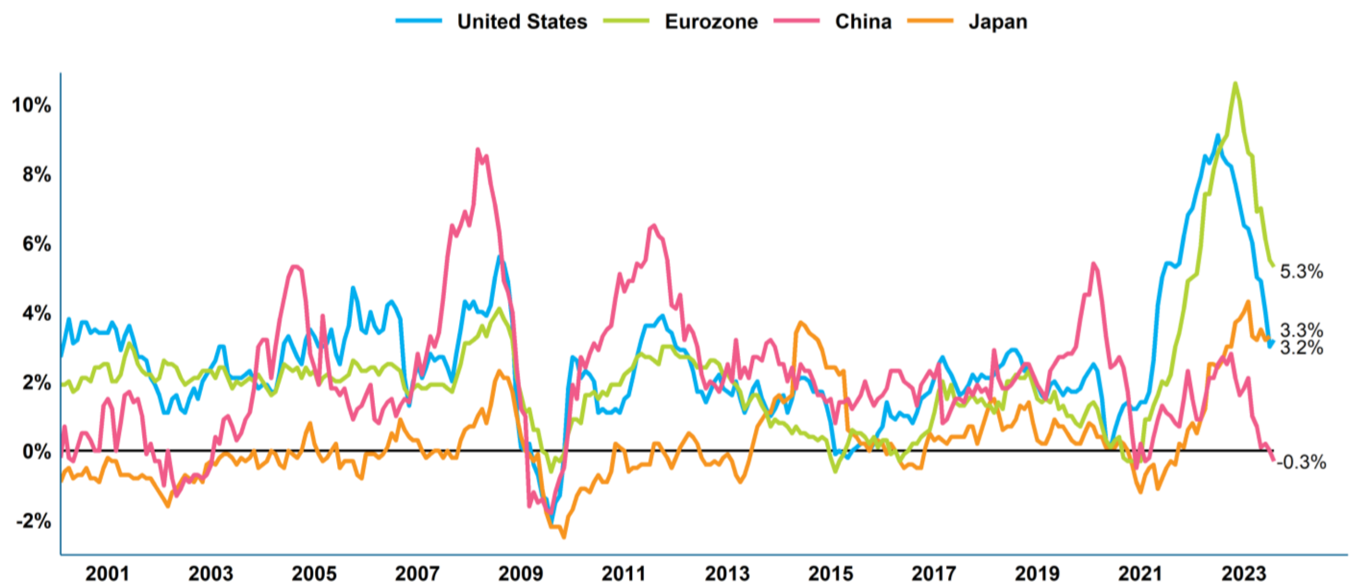
→ The European Central Bank also increased rates in July, but they remain lower than in the US. In Japan the BOJ surprised markets by announcing they would be more flexible on their 10-year interest rate target.

→ The central bank in China has continued to cut interest rates and inject liquidity into the banking system, as weaker than expected economic data appears to indicate a widespread slowdown.

→ Looking ahead, risks remain for a policy error as central banks attempt to balance multiple goals, bringing down inflation, maintaining financial stability, and supporting growth.

[1] Source: Bloomberg. Policy rate data is as of July 31, 2023. China policy rate is defined as the medium-term lending facility 1 year interest rate. Balance sheet as % of GDP is based on quarterly data and is as of June 30, 2023.

Inflation (CPI Trailing Twelve Months)[1]



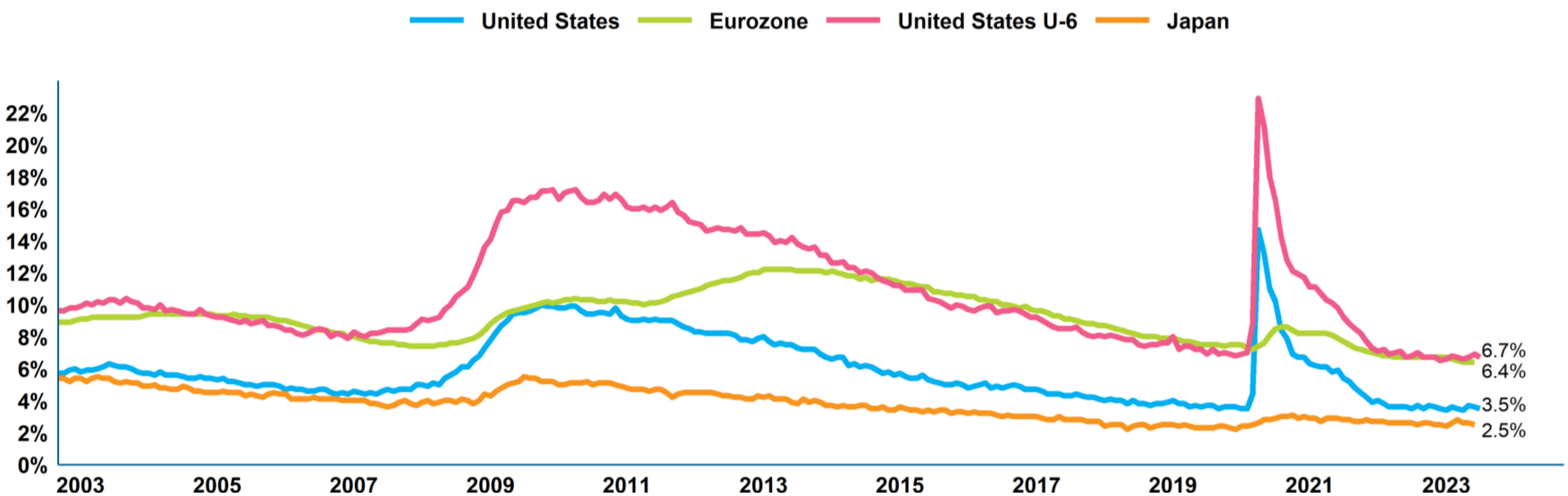
→ The inflation picture remains mixed across the major economies.

→ In the US, inflation rose slightly in July (3.0% to 3.2%), while eurozone inflation continued to fall (5.5% to 5.3%) a level well off its peak. Despite 2023's significant declines in the US and Europe, inflation levels remain elevated compared to central bank targets.

→ Inflation in Japan remains elevated at levels not seen in almost a decade largely driven by food and home related items. In China, deflationary pressures emerged in July due to falling food prices, but this is expected to be temporary as high base effects from last year work their way through.

[1] Source: Bloomberg. Data is as July 31, 2023. The most recent Japanese inflation data is as of June 2023.

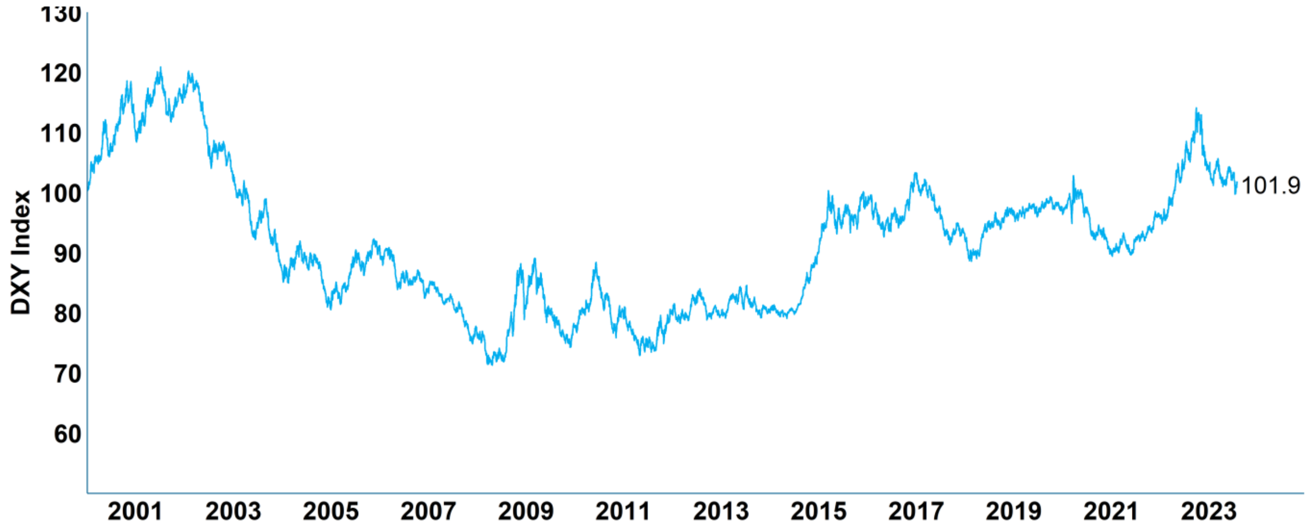
Unemployment[1]



- → Despite slowing growth and relatively high inflation, the US labor market continues to show signs of resilience (3.5%). Unemployment in the US, which experienced the steepest rise, recently returned to pre-pandemic levels. Broader measures of unemployment (U-6) remain higher at 6.7% but also declined dramatically from their peak.
- → The strong labor market and higher wages, although beneficial for workers, motivates the Fed's efforts to fight inflation, potentially leading to higher unemployment.
- → Unemployment in Europe has also declined but remains higher than the US, while levels in Japan have been flat through the pandemic given less layoffs.

[1] Source: Bloomberg. Data is as July 31, 2023, for the US. The most recent data for Eurozone and Japanese unemployment is as of June 2023.

US Dollar versus Broad Currencies[1]



- → The dollar finished 2022 much higher than it started, due to the increased pace of policy tightening, stronger relative growth, and safe-haven flows.
- → Late last year and into early this year, the dollar declined, as weaker economic data and lower inflation led to investors anticipating the end of Fed tightening. Since then, the dollar has largely been range-bound due to competing forces of safe-haven flows and monetary policy expectations.
- → For the rest of this year, the track of inflation across economies and the corresponding monetary policies will be key drivers of currency moves.

[1] Source: Bloomberg. Data as of July 31, 2023.

Summary

Key Trends:

→ The impact of inflation still above policy targets will remain key, with bond market volatility likely to stay high.

→ Global monetary policies could diverge in 2023. The risk of policy errors remains elevated as central banks try to reduce persistent inflation while not tipping their economies into recession.

→ Growth is expected to slow globally this year, with many economies forecasted to tip into recession. Optimism has been building though that some economies could experience a soft landing. Inflation, monetary policy, and the war will all be key.

→ In the US, consumers could feel pressure as certain components of inflation remain high (e.g., shelter), borrowing cost are elevated, and the job market may weaken.

→ The key for US equities going forward will be whether earnings can remain resilient if growth continues to slow. Also, the future path of the large technology companies that have driven market gains will be important.

→ Equity valuations remain lower in emerging and developed markets, but risks remain, including potential for renewed strength in the US dollar, higher inflation weighing particularly on Europe, and China's sluggish economic reopening and on-going weakness in the real estate sector. Japan's recent hint at potentially tightening monetary policy along with changes in corporate governance in the country could influence relative results.

WE HAVE PREPARED THIS REPORT (THIS "REPORT") FOR THE SOLE BENEFIT OF THE INTENDED RECIPIENT (THE "RECIPIENT").

SIGNIFICANT EVENTS MAY OCCUR (OR HAVE OCCURRED) AFTER THE DATE OF THIS REPORT AND THAT IT IS NOT OUR FUNCTION OR RESPONSIBILITY TO UPDATE THIS REPORT. ANY OPINIONS OR RECOMMENDATIONS PRESENTED HEREIN REPRESENT OUR GOOD FAITH VIEWS AS OF THE DATE OF THIS REPORT AND ARE SUBJECT TO CHANGE AT ANY TIME. ALL INVESTMENTS INVOLVE RISK. THERE CAN BE NO GUARANTEE THAT THE STRATEGIES, TACTICS, AND METHODS DISCUSSED HERE WILL BE SUCCESSFUL.

INFORMATION USED TO PREPARE THIS REPORT WAS OBTAINED FROM INVESTMENT MANAGERS, CUSTODIANS, AND OTHER EXTERNAL SOURCES. WHILE WE HAVE EXERCISED REASONABLE CARE IN PREPARING THIS REPORT, WE CANNOT GUARANTEE THE ACCURACY OF ALL SOURCE INFORMATION CONTAINED HEREIN.

CERTAIN INFORMATION CONTAINED IN THIS REPORT MAY CONSTITUTE "FORWARD - LOOKING STATEMENTS," WHICH CAN BE IDENTIFIED BY THE USE OF TERMINOLOGY SUCH AS "MAY," "WILL," "SHOULD," "EXPECT," "AIM", "ANTICIPATE," "TARGET," "PROJECT," "ESTIMATE," "INTEND," "CONTINUE" OR "BELIEVE," OR THE NEGATIVES THEREOF OR OTHER VARIATIONS THEREON OR COMPARABLE TERMINOLOGY. ANY FORWARD-LOOKING STATEMENTS, FORECASTS, PROJECTIONS, VALUATIONS, OR RESULTS IN THIS PRESENTATION ARE BASED UPON CURRENT ASSUMPTIONS. CHANGES TO ANY ASSUMPTIONS MAY HAVE A MATERIAL IMPACT ON FORWARD - LOOKING STATEMENTS, FORECASTS, PROJECTIONS, VALUATIONS, OR RESULTS. ACTUAL RESULTS MAY THEREFORE BE MATERIALLY DIFFERENT FROM ANY FORECASTS, PROJECTIONS, VALUATIONS, OR RESULTS IN THIS PRESENTATION.

PERFORMANCE DATA CONTAINED HEREIN REPRESENT PAST PERFORMANCE. PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS.

2023 Annual SJCERA Investment Roundtable

October 12, 2023

7:15 a.m. – 5:00 p.m.

Wine & Roses
2505 Turner Road
Lodi, CA 95242
(209)334-6988

AGENDA - DRAFT

	Thursday, October 12, 2023		Duration (Minutes)
I.	7:15 a.m.	Roundtable Registration & Continental Breakfast	:45
II.	8:00 a.m.	Roll Call Pledge of Allegiance Welcome and Introduction of Participants	:15
III.	8:15 a.m.	Overview of SJCERA – Asset Allocation, return/risk, goals, and objectives. (David Sancewich - Meketa)	:30
IV.	8:45 a.m.	Keynote Speaker – The state of the world in 2023 and beyond (Erik Knutzen – Multi-Asset Chief Investment Officer, Neuberger Berman)	1h:00
V.	9:45 a.m.	Break	:30
VI.	10:15 a.m.	Private Markets Investing (Private Equity, Private Credit, Infrastructure) – What's next and where are the markets today. (Meketa, Stellex, LongArc, Bessemer)	1h:00
VII.	11:15 a.m.	Inflation –The Global economy has been faced with historically high inflation due to several different reasons. Will we see normalized inflation in the next three years? (Mt. Lucas, Oaktree, Dodge & Cox)	:45
VIII.	12:00 p.m.	Lunch	1h:15

IX.	1:15 p.m.	Manager Debate: In a classic debate format; watch teams of managers debate various topics. (BlackRock, Berkely, Ocean Avenue)	:45
X.	2:00 p.m.	International Markets –The U.S. equity markets have dominated investment returns since the GFC. Are we going to see a reversal? Are international markets more attractive over the next ten years? Where do the Chinese markets fit within this structure? (GQG, Stone Harbor, Ares)	1h:00
XI.	3:00 p.m.	Break	:30
XII.	3:30 p.m.	Real Estate –What lies ahead in Real Estate and where are the opportunities? (Meketa, RREEF, Prologis, Stockbridge)	:45
XIII.	4:15 p.m.	Open Discussion and Re-Cap (David Sancewich - Meketa) Comments from the Board Comments from the Public	:45
XIV.	5:00 p.m.	Adjournment	

Board of Retirement Meeting
San Joaquin County Employees' Retirement Association

Agenda Item 9.0

September 8, 2023

SUBJECT: Facilities Update

SUBMITTED FOR: ___ CONSENT ___ ACTION _X_ INFORMATION

PURPOSE

To inform the Board of the successful execution of two property negotiations: (1) a lease amendment for SJCERA's current office space and (2) an initial lease on its future location.

DISCUSSION

On May 5, 2023, the Board authorized the CEO, with the advice of counsel and the oversight of the Facilities Ad Hoc Committee, to:

1. Negotiate and enter into an amended lease agreement on SJCERA's current office location at 6 S. El Dorado Street, and
2. Negotiate and enter into a lease for a new office space.

Lease Amendment. Staff has completed negotiations on an amended lease for 6 S. El Dorado Street. Pursuant to discussions with the Facilities Ad Hoc Committee, the lease amendment accommodates the County's request for SJCERA to vacate its office prior to its lease expiration and is not anticipated to increase costs to SJCERA, its 15,000 members, or 10 employers. The lease amendment was approved by the Board of Supervisors at its June 6, 2023 meeting, and the agreement was fully executed on June 13, 2023.

The lease amendment calls for the County to pay SJCERA $2 million if we vacate the premises by February 29, 2024. SJCERA may remain in the office beyond that date, subject to an increasing reduction in compensation for each month's delay through June 30, 2024. For example, if we do not move until June, SJCERA will receive $1.3 million instead of the $2 million we would have received if we had moved in February.

Lease on New Office Location. On August 15, 2023, staff executed a 10-year lease (with two five-year extensions at SJCERA's option) for 220 E. Channel Street (the old Pacific Gas and Electric customer service location, next to the Post Office). The location is in downtown Stockton, close to the County Administration building, has a first-floor entrance, and is walking distance to numerous restaurants. Additionally, the lease includes 25 parking spaces in the adjacent parking structure reserved for SJCERA's exclusive use.

The landlord estimates they will be able to complete tenant improvements within six months (approximately mid-February), which aligns with the timeline for vacating the El Dorado Street location outlined above. Every effort will be made to enable SJCERA to move on or before February 29, 2024. However, in the event there are delays, staff has also begun contingency planning.

JShick

JOHANNA SHICK
Chief Executive Officer

2023-2024 CONFERENCES AND EVENTS SCHEDULE

2023-2024 EVENT DATES		EVENT TITLE	EVENT SPONSOR	LOCATION	REG. FEE	WEBLINK FOR MORE INFO	EST. BOARD EDUCATION HOURS
Sep 12	Sep 14	IREI Editorial Advisory Board Meeting	IREI	Santa Monica, CA	$0	irei.com	5.5
Sep 19	Sep 21	Fiduciary Investors Symposium	Top 1000 Funds	Stanford	$1900	top1000funds.com	11.4
Sep 27	Sep 29	Administrators' Institutue 2023	CALAPRS	Carmel-by-the-Sea	$2500	calaprs.org	8.15
Oct 3	Oct 4	6th Annual Private Equity SF Forum	Markets Group	San Francisco, CA	$5000	marketsgroup.org	8
Oct 5	Oct 5	2023 Pensions, Benefits & Investments Fiduciaries' Forum	Nossaman's	San Francisco, CA	$95	nossaman.com	4.5
Oct 21	Oct 22	NCPERS Accedited Fiduciary (NAF) Program	NCPERS	Las Vegas, NV	$855	ncpers.org	12
Oct 22	Oct 25	NCPERS Fall Conference	NCPERS	Las Vegas, NV	$750	ncpers.org	up to 12
Oct 27	Oct 27	Trustee Roundtable	CALAPRS	Online webinar	$50	calaprs.org	4
Oct 30	Oct 30	2023 Pensions, Benefits & Investments Fiduciaries' Forum	Nossaman's	Los Angeles, CA	$95	nossaman.com	4.5
Nov 7	Nov 10	SACRS Fall Conference	SACRS	Rancho Mirage, CA	$120	sacrs.org	*11
Dec 3	Dec 5	Alternative Investing Sumimit 2023	Opal Group	Dana Point, CA	$0	opalgroup.net	TBD
Dec 5	Dec 6	10th Annual California Institutional Forum	Markets Group	Napa, CA	$0	marketsgroup.org	TBD
Mar 2, 24	Mar 5, 24	General Assembly 2024	CALAPRS	Rancho Mirage, CA	TBD	calaprs.org	TBD

** Estimates based on prior agendas*

SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

SUMMARY OF PENDING TRUSTEE AND EXECUTIVE STAFF TRAVEL

2023 Event Dates	Sponsor / Event Description	Location	Traveler(s)	Estimated Cost	BOR Approval Date
Sep 11-13	Stockridge Core and Value Advisors Annual Meeting	Atlanta, GA	Paris Ba	$2349 Reimbursed by Mananger	8/11/23
Sep 12-14	IREI Editorial Advisory Board Meeting	Santa Monica	JC Weydert	$2,725.89	5/5/23 & 9/8/23($)
Sep 19-21	Fiduciary Investors Symposium	Stanford	Paris Ba, Michael Duffy, Brian McKelvey	$6,500	6/2/23 6/2/23 7/14/2023
Sep 27-29	CALAPRS Administrators Institute 2023	Carmel	Johanna Shick Brian Mckelvey	$5,000	N/A
Nov 7-10	SACRS Fall Conference	Rancho Mirrage, CA	Johanna Shick, Brian McKelvey	$3,300	N/A

SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

SUMMARY OF COMPLETED TRUSTEE AND EXECUTIVE STAFF TRAVEL

Event Dates 2023	Sponsor / Event Description	Location	Traveler(s)	Estimated Cost	Actual Cost	Event Report Filed
Jan 17-20	IREI 2023 Visions, insights & Perspectives America	Rancho Palos Verdes, CA	Michael Restuccia	$1,250.00	$1,736.78	2/10/2023
Feb 7	2023 Employee Benefits Update	Webinar	Johanna Shick	$0	$0	N/A
Feb 11	CALAPRS Administrators' Round Table	Online	Johanna Shick	$50.00	$50.00	N/A
Mar 4-7	CALAPRS General Assembly	Monterey	Johanna Shick, JC Weydert	$2,857	$2,788.65	N/A
Mar 29-31	Advanced Principles of Pension Governance for Trustees	Los Angeles	Steve Moore	$4,150	$3,707.19	N/A
Apr 17-19	Pension Bridge Annual Conference	San Francisco	Ray McCray, Paris Ba	$2,360	$1,849.74	6/2/2023 5/5/2023
May 9-12	SACRS Spring Conference	San Diego	JC Weydert, Phonxay Keokham, Jennifer Goodman, Chanda Bassett, Ray McCray, Johanna Shick, Paris Ba, Jason Morrish	$13,600	$12,260	N/A
Jul 16-19	SACRS/UC Berkeley Progam	Berkeley, CA	Brian McKelvey JC Weydert Emily Nicholas Michael Duffy	$20,000	TBD	N/A

Board Member	Travel (not including SACRS & CALAPRS)	Dates	Amount used of $2500:	Balance of $2500
RESTUCCIA	IREI	1/2023	$1,736.00	$764
BASSETT				
DING				
DUFFY	Fiduciary Investors Symposium	9/2023		
GOODMAN				
KEOKHAM				
MCCRAY	Pension Bridge Annual Conference	4/2023	$798.77	$1,701.23
NICHOLAS				
WEYDERT	IREI	9/2023		
MOORE				

(Exception to annual travel cap approved 7/14/23)

2023 LEGISLATION

Last Updated: 8/25/2023

BILL NO.	AUTHOR	DESCRIPTION	LAST ACTION DATE	LOC	SPONSOR
Legislation Impacting SJCERA:					
AB 557	Hart	This bill would extend the expiration date of the state of emergency provisions if still in effect from January 1, 2024 to indefinitely and make additional non-substantive changes to the Ralph M. Brown Act.	06/29/23	Senate JUD. Comm. Ordered to third reading	
AB 739	Lackey	This bill would revise the conditions for suspending contributions to a public defined benefit plan from a threshold of more than 120 percent fund to more than 130 percent funded.	03/13/23	Assembly P.E. & R. Comm. Hearing canceled req. of author	
AB 817	Pacheco/ Wilson	This bill would authorize use of teleconferencing provisions similar to the emergency provisions indefinitely if the legislative body annually approves the provisions.	04/25/23	Assembly L. Gov. Comm. Hearing postponed by committee	
AB 1020	Grayson	This bill would expand the scope of Safety member heart presumption (which applies to members with five or more years of service) to include hernia and pneumonia. It also expands other Safety member presumptions to include post-traumatic stress disorder (PTSD), skin cancer, lower back impairments, Lyme disease, tuberculosis and meningitis. This bill would, contingent upon passing of SB 623 (workers' compensation bill on PTSD), repeal the provisions related to PTSD on January 1, 2032.	07/12/23	Senate L., P.E. & R Comm. Ordered to third reading.	

BILL NO.	AUTHOR	DESCRIPTION	LAST ACTION DATE	LOC	SPONSOR
AB 1379	Papan	This bill would (1) require a Board electing to use teleconferencing to post agendas at a singular designated location rather than at all teleconference locations; (2) allow a quorum to be established based on all participating trustees (whether remote or at the designated physical location), and remove the requirement that a quorum of the members participate from locations within the board's jurisdictional boundaries; (3)require the Board have at least two meetings per year in which the Board's members are in person at a singular designated location; (4) delete requirements to identify each teleconference location in the agenda and that each location be accessible to the public; (5) delete restrictions limiting remote participation to a certain number, percentage of meetings or number of consecutive sessions per calendar year; (6)delete requirements to provide at least one of two specified means by which the public may remotely hear and visually observe the meeting; and (7) delete requirements that members participating remotely disclose whether individuals 18 years of age or older are present in the room with them and the general nature of their relationship; (8) expand the definition of just cause to include travel related to a member of a board's occupation; (9) make these provisions operative indefinitely.	04/24/23	Assembly L. Gov. Comm. Hearing canceled request of author	
AB 1637	Irwin	This bill, no later than January 1, 2029, would require a local agency's website and emails to utilize a ".gov" top-level domain or a "ca.gov" second level domain.	07/10/23	Senate APPR. Comm. Placed on suspense file	
SB 769	Gonzalez	Existing law imposes ethics training and sexual harassment prevention training and education to be two hours and requires each training every two years. This bill would add two hours of fiscal and financial training every two years and exempt training requirements for the County Treasurer if they comply with existing continuing education requirements.	07/12/23	Assembly APPR. Comm. Placed on suspense file	
SB 885	Senate Comm. P.E. and R.	This bill would clarify the definition of final compensation for specified members, members who are subject to PEPRA, and members whose services are on a tenure that is temporary, seasonal, intermittent, or part time in the CERL. The bill would revise the age at which the retirement system is required to either start payment of an unmodified retirement allowance or make a one-time distribution of accumulated contributions and interest to the age specified by federal law. The bill would change the age threshold from April 1 of the calendar year in which the member attains 72 years of age to the age specified by federal law with regard to requirements that apply when members cannot be located and with reference to when distributions are to be made to members who are participating in a Deferred Retirement Option Program. This bill would correct several erroneous references and also make other technical, nonsubstantive changes to these provisions.	08/22/23	Enrolled and presented to Governor	SACRS

BILL NO.	AUTHOR	DESCRIPTION	LAST ACTION DATE	LOC	SPONSOR
Other Bills of Interest:					
AB 1246	Nguyen	This bill would, commencing January 1, 2025, permit a PERL member who elected to receive a specified optional settlement at retirement, if the member's former spouse was named beneficiary and a legal judgment awards only a portion of the interest in the retirement system to the retired member, to elect to add their new spouse as the beneficiary of the member's interest, subject to conditions.	07/03/23	Senate APPR. Comm. Suspense file	
SJR 1	Cortese	This measure would request the U.S. Congress to enact, and the President to sign, legislation that would repeal the Government Pension Offset and the Windfall Elimination Provision from the Social Security Act.	06/02/23	**Chaptered**	
Federal Legislation:					
None to report.					

	2023 TENTATIVE State Legislative Calendar
Sep 8	Last day to amend bills on the floor
Sep 14	Last day for each house to pass bills; Interim Study Recess begins upon adjournment
Oct 14	**Last day for Governor to sign or veto bills.**

San Joaquin County Employees'
Retirement Association

September 1, 2023

TO: Board of Retirement

FROM: Johanna Shick
Chief Executive Officer

SUBJECT: Chief Executive Officer Report

Strengthen the long-term financial health of the Retirement Plan

Determine the future vision for the investment program operating model

- *Define and document SJCERA's views on environmental, social, and governance (ESG) matters for the organization and the investment portfolio*

  It is anticipated that this goal will be complete (or nearly complete) by the end of the September 1, 2023, Special Board meeting. At that meeting, Fiduciary Counsel and Acting General Counsel Ashley Dunning and Investment Consultant David Sancewich will provide ESG and Proxy Voting education from legal and investment perspectives. Following their presentations, Ashley will facilitate a Board discussion to define and document its views on both ESG matters and proxy voting.

- *Define and document SJCERA's approach to proxy voting*

  It is anticipated that this goal will be complete (or nearly complete) by the end of the September 1, 2023, Special Board meeting. See the description above for the ESG goal for additional detail.

Optimize the investment manager lineup

- *Evaluate the portfolio for investment efficiency (e.g., fees, risk, return, consolidation, education)*
  - Loomis Sayles Manager Presentation. As part of the quarterly manager presentation series to provide periodic updates on existing managers, Mirsada Durakovic (Portfolio Manager for the Core Disciplined Alpha team) and Stephanie Lord (Director of Investor Relations) from Loomis Sayles will provide an update on SJCERA's portfolio and provide their views on the fixed income market in general. SJCERA hired Loomis as one of our Core Fixed Income managers in March 2022.

  - J.P. Morgan Private Credit White Paper. Included in the Board's reading materials is a white paper from J.P. Morgan on private credit: *The Paradox of Private Credit*. Private credit has historically been labeled as an alternative investment; however, over the past decade or two, it has emerged to be a distinct, stand-alone asset class, in which SJCERA has also become a regular investor. In comparison with other illiquid strategies, private credit is more conservative than private equity or venture capital, but it is considered riskier than high yield and leveraged loans. Private credit emerged in a period of low interest rates and inexpensive leverage, but now must adapt to an environment of high rates and rising credit risk. Today's higher rates present opportunity for lenders but also pose a direct risk to the solvency of borrowers. Most private credit investments will still be sensitive to broader credit cycles, which means investors should look for experience across past default cycles, and the discipline to maintain strict underwriting standards when evaluating prospective managers.

  - Graham Personnel Change. Ed Tricker, the head of Quant Strategies from Graham, retired on August 11, 2023. Mr. Tricker will continue to work with the firm in a consulting capacity during the transition period through the end of 2024. Tom Feng, Ph.D., was immediately promoted to the head of Quant

Strategies. Dr. Feng has been a senior member of Graham's Quant Strategies since 2009, making significant innovative contributions to the firm's quantitative solutions including the Quant Macro Program. Investment Officer Paris Ba and Meketa view the personnel change as significant, but share no concern given the long transition period and the stability of the team serving SJCERA.

- Securities and Exchange Commission (SEC) Adopts New Rules for Better Protection in Private Funds. On August 23, 2023, the SEC voted 3-2 to approve 660 pages of new rules and amendments modifying the Investment Advisers Act of 1940. With the adoption of the Final Rules, the SEC attempts to better protect Limited Partner (LP) interests by encouraging accountability and transparency while at the same time fostering public trust and interest in alternative investments. Specifically, the Final Rules have two new terms that apply to all private fund managers: 1) *Restricted Activities Rule* that prevents certain activities that harm the LPs; and 2) *Preferential Treatment Rule* that prohibits the GP from providing preferential treatments to the investors. Separately, the Final Rules have three new terms that apply to registered fund managers: 1) *Quarterly Statement Rule* requiring fund managers to provide quarterly reports; 2) *Private Fund Audit Rule* requiring them to obtain an annual audit statement; and 3) *Advisor-Led Secondaries Rule* requiring registered fund managers who offer investors the option of selling some or all of their interests to obtain a fair valuation opinion from an independent third party. If you are interested in more details on the SEC decision, please refer to the articles "SEC Adopts New Rules to Better Protect Institutional Investors in Private Funds" from Nossaman and “SEC Adopts Sweeping Final Private Fund Disclosure Rule” from FundFire in the Board reading materials.

Modernize the operations infrastructure

Implement Pension Administration System (PAS)

- *Deliver project milestones as scheduled on PAS project plan*

  Overall, the project is progressing as planned. There have been no impacts to the overall project scope or project schedule. MBS is nearing the completion of Data Cycle 3, with a targeted delivery date of September 8. Data Cycle 3 will allow Tegrit to define and build participant account structures in PRIME. Additionally, by increasing the amount of legacy data included in the Data Cycle 3 delivery, it is likely that Data Cycle 4 will include the remaining legacy data, leaving 11 planned data cycles for corrections and data cleansing.

  As part of Phase III Implementation, member demographics and beneficiary information were delivered and successfully tested on-time in early August. With the new PRIME test site, all staff members now have access to use the functionality that has been delivered and tested.

  The next UAT period is scheduled to begin February 2024. The next release is scheduled to include employers, bargaining units, reciprocity and reciprocal agencies, domestic relations orders (DROs), related records, employment/wages, contributions, service, service credit calculation, and non-participatory employment.

  The agile (incremental delivery) project management approach Tegrit uses provides staff access to system functionality as it is built, assists in training staff, and allows them to continuously use the system, thereby laying the foundation for a smooth cut-over to the new system at the end of the project.

- *Program/test planned processes in PAS*

  The first PRIME User Acceptance Test (UAT) period was completed successfully in early August. Three Business System Requirements (BSR) documents were completed in the areas of member and beneficiary information. Special thanks to Retirement Services Associate Ron Banez and Retirement Services Supervisor Melinda DeOliveira for spearheading the testing and identifying issues and areas for improvement. No major issues were identified. Identified issues and suggestions were more fine-tuning in nature, such as enhancing member and beneficiary search capabilities. Linea and Tegrit were onsite again the week of August 28 to discuss the UAT process with an eye for any future improvements, and to conduct work sessions related to the Benefit Calculator with SJCERA staff.

- *Maintain functionality of legacy PAS until new PAS is implemented and stabilized*
  Information Systems Manager, Adnan Khan modified SJCERA's legacy system to enable issuing one-time payments electronically via the Automated Clearing House (ACH). This new functionality helps mitigate the risks related to check delivery and check fraud. Direct deposit information is solicited as part of all disbursement applications (monthly or one-time), and most members provide the information on their completed forms. SJCERA continues to encourage those remaining members and beneficiaries who receive checks to convert to electronic payments as they are more secure, and members receive payments earlier than those receiving paper checks. Currently approximately 99% of monthly benefit recipients use direct deposit; only 72 members receive their monthly benefit payments as checks. Well done Adnan!

<u>Enhance the member experience</u>

- *Improve content and organization of website*
  The Active Member pages on sjcera.org have been streamlined and reorganized. Communications Officer Kendra Fenner evaluated the content on more than 15 web pages, arranged topics into more logical groups, added pages for new content, enhanced layout for easier use, augmented the navigation bar, removed outdated information and links, and updated links throughout the entire website to reference the new, reorganized Active Member pages. New content now included in the Active Member section of the website includes a list of retirement-eligible pay codes, lists of the age factors that are used to calculate benefits, and a retirement eligibility page. OUTSTANDING WORK!

- *Develop and implement online member education videos on prioritized topics*
  Having completed her first video last month, Communications Officer Kendra Fenner is already hard at work on the next one! Scripts have been approved for additional videos on reciprocity, service credit and the retirement application process. Exciting progress!

- *Develop and initiate a plan to fulfill the conditions necessary to enable a full-service member portal*
  Seeing the possibility for improved service and decreased printing and mailing costs, Assistant CEO Brian McKelvey investigated the possibility of opening the member portal in January 2024 to provide payees online access to their annual IRS *Form 1099-R* and monthly earnings statements. Unfortunately, the cost to expedite implementation of the member portal exceeds the printing and postage cost savings. Nonetheless, kudos to Brian for his initiative, and to Management Analyst III Greg Frank for his cost-benefit analysis. This is a great example of staff living SJCERA's vision of delivering contemporary retirement services care, as well as our values of accountability/continuous improvement, service, and integrity. We will continue to look for opportunities to enhance member service and reduce costs as the PAS project progresses. Inspirational innovative ideas and inquiry!

<u>Improve technology for business operations</u>

- *Adopt industry standard business processes wherever possible*
  - *Plan transition from Mac to Windows*
    Information Systems Specialist II, Lolo Garza, increased the security of SJCERA's remote access (Virtual Private Network (VPN)) by including Multi-Factor Authentication (a leading security verification process) and integrating with Microsoft365 security services. Lolo successfully implemented this new functionality without any reported service disruptions. IMPRESSIVE!

    Lolo also successfully migrated file system data on the second server the weekend of August 5, with only a few identified issues that were resolved in minutes. The two remaining Mac servers (which house our Optics and Core-37 data) are scheduled for migration after implementing the modifications needed to ensure Core-37 screens and system calculations work properly on Windows laptops and servers. Excellent work!

- *Adopt contemporary risk management, disaster recovery and business continuity practices*
  - *Implement Phase 1 of Enterprise-Wide Risk Management (EWRM) plan*

    Cyber-attacks and lack of liquidity are two risks identified in the EWRM plan; actions taken to further mitigate these risks include the following:

    Cyber-attacks: Lolo Garza implemented remote access hardening protocols including multi-factor authentication, in alignment with the Cybersecurity and Infrastructure Security Agency's (CISA) best practices for remote access.

    Lack of liquidity: Meketa conducted an extreme stress test analyzing SJCERA's total fund liquidity. The results showed, even under various extremely negative scenarios, the current portfolio would maintain sufficient liquidity to pay benefits and other expenses. Because SJCERA is cash-flow positive (thanks in part to additional contributions from employers), SJCERA has sufficient cash and high-quality bonds to cover the portfolio's liquidity needs without having to sell assets to meet its obligations.

  - *Implement Phase 2 recommendation from 2021 cyber-security and disaster recovery plan assessments, including annual security assessment*

    Adnan Khan, Lolo Garza, and Brian McKelvey met with Linea Secure on August 21 to finalize the statement of work to assist SJCERA in completing the Phase 2 recommendations. Given the recent MOVEit cybersecurity data breach, implementation of the Phase 2 recommendations is a high priority; however, additional resources are necessary. Linea's estimated cost for this assistance is approximately $155,000, which is more than covered by savings in the administrative budget (primarily due to vacancies during the year). Contracting with Linea for this work will enable SJCERA's internal IT staff to focus on day-to-day operations, the office move, Windows infrastructure migration, and the PAS project. We anticipate Linea beginning the project in early September and completing implementation of the remaining Phase 2 recommendations by December 2023.

Improve employer experience

- *Increase outreach and education to payroll/personnel staff at employers and/or County departments*

  Communications Officer Kendra Fenner wrote and coordinated the distribution of an email providing guidance to employers on what to do if a member becomes gravely of terminally ill and referring them to the Employer Notice on the topic for additional information. A separate email, geared towards members, was also sent to all members. Copies of both emails are attached to this report.

  - *Expand Employer Notice Library*

    Kendra has begun work on an Employer Notice on felony forfeiture of pension benefits. We also have initial plans to produce a Notice providing an overview of topics employer should know in conducting business with SJCERA. For example, the dos and don'ts of including/excluding employees/contractors from membership; the dos and don'ts of reporting earnings, terminations, etc.

Align resources and organizational capabilities

Enhance education and development across all levels of the organization

- *Offer training and development opportunities intended to strengthen staff's depth and breadth of knowledge and experience*

  Retirement Services Associate Ron Banez has begun training with the CFA Institute to earn his Investment Foundations Certificate. Administrative Secretary Elaina Petersen has completed ongoing quarterly training conducted by the County Department Training Processor meeting and the quarterly Payroll Users Group meeting, which provided vital information on the various changes in County MOUs.

Employee of the Month

Congratulations to our two Employees of the Month: Information Systems Analyst II Lolo Garza and Communications Officer Kendra Fenner! Lolo was recognized for his commitment (working late and on weekends if needed), his professional execution of plans, and his focus on continuous improvement, all of which were demonstrated in his flawless implementation of multiple projects this month. He migrated our second server over to Windows, hardened SJCERA's remote access security, and improved phishing email reporting. Lolo is a committed professional ready to get the job done and improve processes for the betterment of SJCERA. Phenomenal work, Lolo! Kendra was recognized for embracing innovation and technology to streamline her work, decrease costs, and produce excellent results for SJCERA. Many people are afraid of artificial intelligence (AI), but Kendra has an inquiring mind and wanted to know more. After attending various webinars and seeing demonstrations of how AI-based tools could streamline her work, Kendra dove right in employing one such tool to produce a SJCERA video in a fraction of the time and at a fraction of the cost of a traditionally produced video. Thanks to her fearless determination and eagerness to embrace change, members will soon have access to a robust library of videos that otherwise would have taken years to develop. Inspirational work, Kendra!

Maintain Business Operations

<u>UAL Report Posted to Website</u>

Management Analyst III Greg Frank updated the Unfunded Actuarial Liability (UAL) history report, which traces the evolution of SJCERA's UAL from 2003 through the most recent Actuarial Valuation. Greg updates the report annually after receipt of the Actuarial Valuation. The report is available on the Reports page of SJCERA's website.

<u>Provide Excellent Customer Service</u>

- A few quotes from our members:
  I often refer to the "3 Rs of Customer Service": Responsive, Respectful, Right. To meet or exceed customers' expectations, we need to meet all three: our replies must be prompt (responsive), our interactions must be respectful, and our answers must be right. This month, members' comments highlight just how much they value responsiveness.
  "Leonor (Sonley) is always very quick to respond to emails and it is appreciated."
  "Andrea (Bonilla) was extremely prompt in answering my emails with the information that I needed."

- Marking the moment.
  Retirement is a significant milestone in a person's life. Retirement Technician Kathleen Goodwin recognized this and suggested SJCERA help members commemorate the moment. Specifically, "ringing the bell" refers to reaching the pinnacle of success or happiness, so what better way to mark the moment of retirement? As a result, members who submit their retirement application in person, will receive a well-deserved round of applause (using an applause generating button) and have their photo taken by the staff member assisting them. In the new building we plan to install a wall-mounted bell for this purpose.

<u>Maintain a Positive Work Environment</u>

- Staff members Elaina Petersen, Kendra Fenner, Ron Banez, Leonor Sonley, and Vickie Monegas do an exceptional job coordinating events that keep team-SJCERA's spirits high. On August 8, they coordinated a "Hot August Days" event with shaved ice and other frozen treats. With this event, plus ice cream bars (and pizza) I provided staff at the end of July to thank them for completing their mandatory training, clearly SJCERA's are the "coolest" and they know "anything is popsicle"!

<u>Attract and Retain Talent</u>

I'm pleased to announce that Melinda DeOliveira has been promoted to Retirement Services Supervisor. Melinda first joined SJCERA in January 2000, and during her tenure has held every position within the Retirement Services Division including office assistant, Retirement Services Technician, Retirement Services Associate, and Retirement Services Officer. Her experience in each of these different positions means she brings a wealth of knowledge, making her an excellent resource for training and overseeing the work of the Retirement Services team. Congratulations Melinda!

Manage Emerging Organizational Needs

Facilities

As noted in the September 8 Board meeting materials, SJCERA and the County reached agreement on a lease amendment for 6 S. El Dorado Street, in which the County compensates SJCERA for relocating. The agreement is designed to avoid passing any of the costs for the move onto SJCERA's members and nine other employers. Additionally, SJCERA has signed a lease on its future office location at 220 E. Channel Street. Management Analyst III, Greg Frank is overseeing the project and working closely with the tenant improvement project manager to ensure timely delivery of the space.

Conclusion

It's been a busy and very productive month!

Subject: Gravely Ill Employees: Retain SJCERA Benefits, Don't Terminate
Date: Wednesday, August 23, 2023 at 2:26:19 PM Pacific Daylight Time
From: Fenner, Kendra [SJCERA]
To: San Joaquin County Superior Court - migreen, San Joaquin Historical Society - Phillip Merlo, Schroeder, John [LL], Stites, Mitzi [LAFCO], SJC Mosquito and Vector Control - EmilyN, Adamo, Nicole [MH], Tracy Cemetary, Lathrop Manteca Fire District - hsalazar, Yolanda Palermo
Attachments: image001.jpg

Sent on behalf of Johanna Shick, Chief Executive Officer, SJCERA:

If an SJCERA-participating employee becomes gravely or terminally ill, contact SJCERA before making changes to their employment status. If an ill employee is terminated, they will lose valuable SJCERA benefits that could provide for their family after the employee's death. The difference to the family can be significant: receiving only the member contributions and interest in a lump sum, versus receiving a lifetime monthly benefit and access to health insurance.

Active members (and, upon their death, their beneficiary) have more benefit choices, which are typically more generous than those available to terminated employees (Deferred members). Active members' benefit choices may include service retirement, disability retirement and active member death benefits.

Refer to the Terminal Illness or Death of an Employee Employer Notice for more information.

SAN JOAQUIN C.E.R.A

Kendra Fenner
Communications Officer
6 South El Dorado Street, Suite 400 | Stockton, CA 95202
Direct 209.468.8020 | Office 209.468.2163 | www.SJCERA.org

San Joaquin County Employees' Retirement Association: 75 Years as Your Trusted Financial Steward

Subject: Gravely or Terminally Ill? Contact SJCERA
Date: Wednesday, August 23, 2023 at 2:58:51 PM Pacific Daylight Time
From: ISD Service Desk [ISD]
To: ISD Service Desk [ISD]
Attachments: image001.png

Sent on behalf of Johanna Shick, Chief Executive Officer, SJCERA:
(Sent to all County Employees)

If you become gravely or terminally ill, contact SJCERA before making changes to your employment status. You may be eligible for a disability retirement, service retirement, or active member death benefit, which would provide a lifetime monthly benefit to you and, subsequently, to your beneficiary. Additionally, if you receive a monthly SJCERA benefit, you and your beneficiary are generally eligible to enroll in an employer-sponsored health insurance plan. However, if you terminate your employment, you (or your beneficiary) will only be eligible to receive your member contributions and interest in a lump sum. As an Active member you and your beneficiary have more benefit choices, which are typically more generous than those available to terminated employees (Deferred members).

No one knows what the future holds but there are things you can do to be prepared. Fill out a SJCERA Special Power of Attorney (POA) that can be used to grant certain powers to a trusted friend or relative in the event you are unable or unavailable to act when required. Check your recent Annual Member Statement to see who you have designated as your beneficiaries. You can update your beneficiaries any time by submitting a new *Beneficiary Designation* form.

Make sure you and your beneficiary(ies) know how to contact SJCERA so our experts can help you make an informed decision. Call SJCERA Monday-Friday, 8 a.m. to 5 p.m. at 209.468.2163 or email us any time at ContactUs@sjcera.org.

Thank you,

ISD Service Desk
Information Systems Division
San Joaquin County
209-953-HELP (4357)

J.P.Morgan
ASSET MANAGEMENT

Allocation Spotlight

The paradox of private credit

Published: 4 days ago

Jared Gross

Head of Institutional Portfolio Strategy

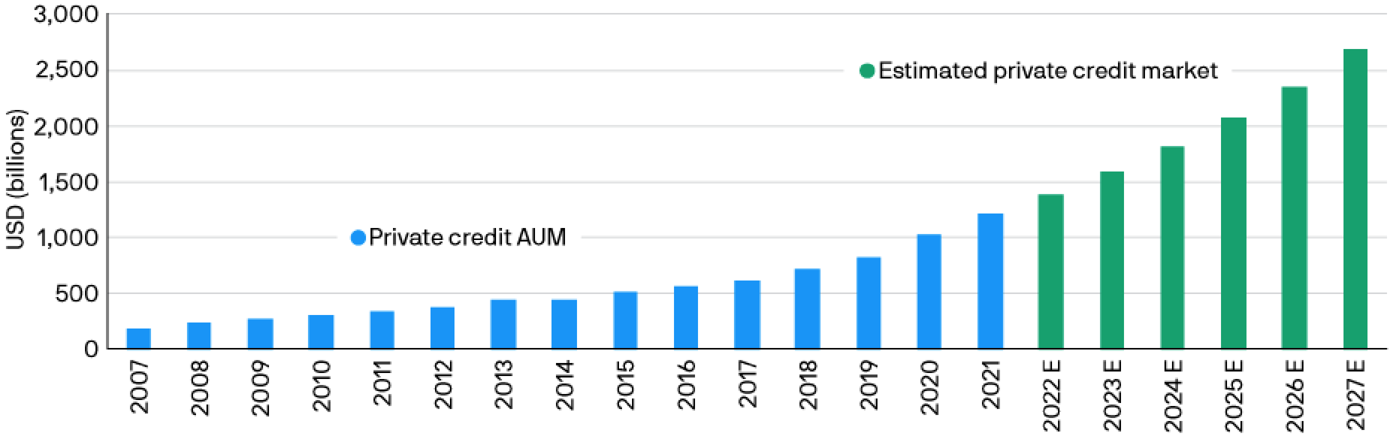
Manager skill in underwriting credit risk and executing transactions will likely become more valuable as higher rates increase borrower stress.

New asset classes don’t come around very often, but their arrival can open up the opportunity set for investors in useful ways. Over the past decade or so, private credit has emerged as a distinct stand-alone component of diversified portfolios, taking a place alongside long-established alternative investment categories such as private equity and hedge funds. By focusing on lending into sectors previously dominated by banks or public capital markets and combining modest leverage and closed-end fund structures to increase potential returns and manage asset-liability risks, private credit has delivered a compelling mix of high returns and low realized volatility.

Investors are responding. Capital is flowing into private credit strategies at a rapid pace, and assets under management now approach USD 2 trillion (**Exhibit 1**). Today, allocators can access a maturing market with large populations of managers across numerous subsectors, allowing them to tailor exposures to reflect specific opportunities across the credit markets.

Private credit markets have grown dramatically in recent years

Exhibit 1: Growth in private credit asset under management



Source: Prequin, J.P. Morgan Asset Management

While the enthusiasm for the new asset class is understandable, we see some potential challenges on the horizon. Private credit has “grown up” in a period of low interest rates, inexpensive leverage and limited defaults but must now adapt to an environment of high rates, costly leverage and rising credit risk. Today’s high yields present an opportunity for lenders but also pose a direct risk to the solvency of borrowers. That, in essence, is the paradox of private credit. In this paper, we assess the risk-reward calculus across the subcomponents of the private credit opportunity set and suggest some ideas for optimizing allocations in the current environment.

A hybrid asset class

Although broadly classified as an alternative investment, private credit should be thought of as a hybrid asset class that occupies a middle ground between riskier equity and lower risk fixed income. In comparison with other illiquid alternatives, it is more conservative than private equity or venture capital, as befits a sector based on lending rather than equity ownership. As a fixed income strategy, however, private credit occupies the riskier end of the spectrum, adjacent to sectors such as high yield, leveraged loans and distressed debt.

Investors should consider these different themes when evaluating the role of private credit in portfolios.

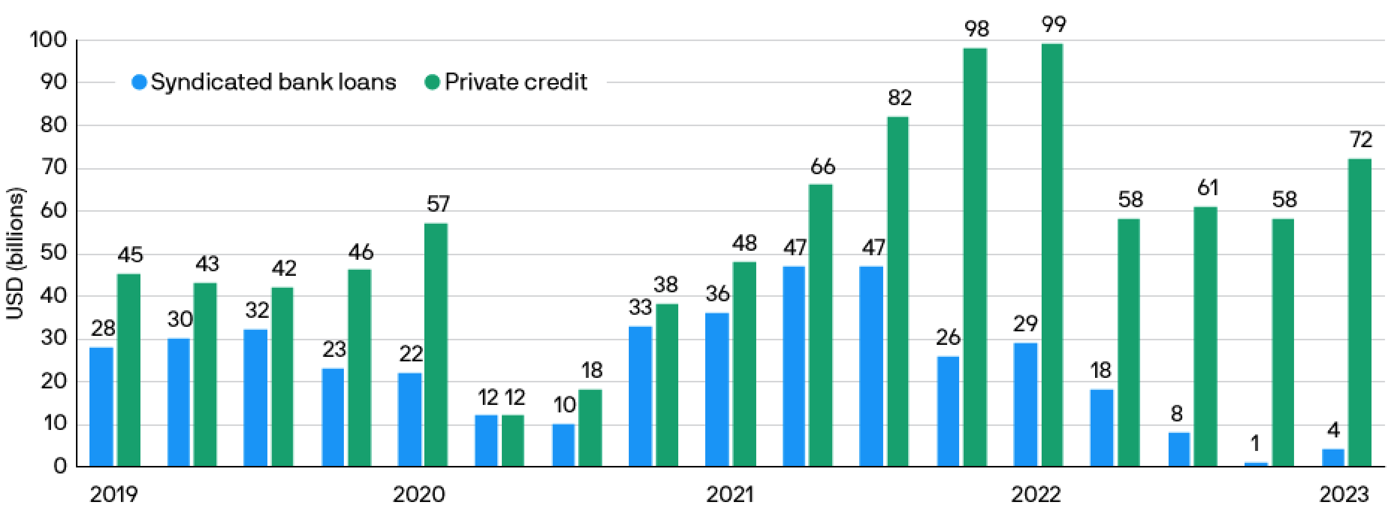
- The rapid growth and segmentation of the private credit universe do not necessarily lead to a corresponding diversification of key macroeconomic risks; most forms of private credit will directionally increase the sensitivity of a broader asset allocation to credit cycles. It will be helpful to build structural diversification into private credit portfolios sooner rather than later.
- Today’s growing allocations need to be put to work, and there is a real risk that credit underwriting standards may decline just as higher interest rates increase borrower stress. Managers with experience across past default cycles and the discipline to maintain underwriting standards will be essential.
- Private credit’s *historical* performance shines within the mean-variance optimization models that drive much of the asset allocation process today. Allocators should look closely at the various components of private credit returns and consider how a changing environment may impact them going forward.

A capital surge across subsectors and styles

Market participants commonly cite a basic rationale for the emergence of private credit: It solves a classic problem of the traditional banking system, which is the asset-liability mismatch created by funding long-term loans with short-term demand deposits. In contrast, using long-term investor capital within closed-end fund vehicles ensures that private credit funds can keep capital invested without being subject to a "run on the bank." Recent struggles within the U.S. banking system from deposit flight, high funding costs and losses on legacy asset portfolios further constrain the ability of traditional lenders to provide credit. As a result, private lenders find greater opportunities to step into the shoes of tapped-out bankers (**Exhibit 2**).

As banks retreat, direct lenders have stepped into their shoes

Exhibit 2: Quarterly issuance of bank loans and private debt

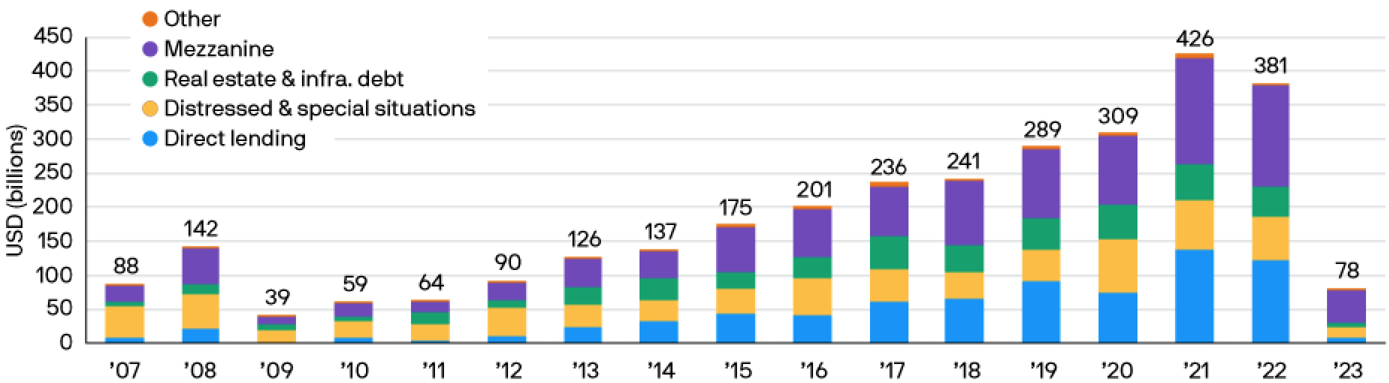


Source: Morningstar, PitchBook LCD, J.P. Morgan Asset Management Guide to the Markets

As more capital has arrived, the private credit ecosystem has evolved and expanded – creating new momentum for the asset class in investor portfolios. Allocators are diversifying across subsectors and styles, seeking skilled managers who can generate strong risk-adjusted returns (**Exhibit 3**). While direct lending remains the dominant subsector, other specialized areas, like mezzanine debt, venture debt, special situations, distressed credit and secondaries, are growing rapidly as well.

Allocators are diversifying across subsectors and styles

Exhibit 3: Private debt fundraising by type



Source: Prequin, J.P. Morgan Asset Management

The ability to deploy capital across a wide range of subsectors and managers is a good thing, of course. But investors should be careful about conflating the complexity of the private credit market with genuine diversity of risk – particularly with respect to macroeconomic risks from business cycles and monetary policy.

Ultimately, most of the underlying borrowers are subject to broadly similar economic conditions and levels of interest rates. Should an economic downturn occur, default risk will inevitably rise. If this downturn takes place while the Federal Reserve (Fed) is still fighting inflation and interest rates are elevated, the level of borrower stress will increase significantly – an eventuality that has not been experienced over the relatively brief history of this asset class.

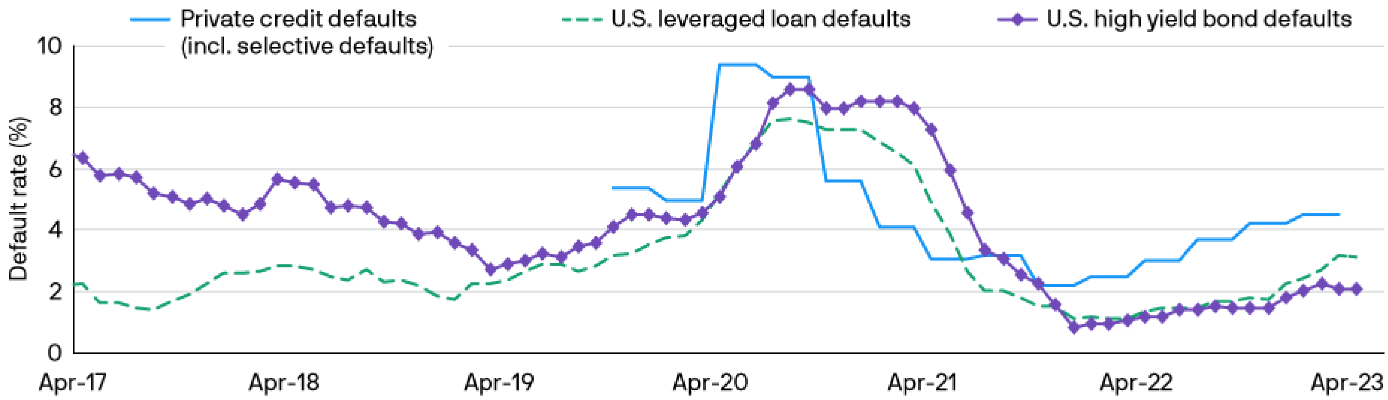
Investors need to consider the ways in which these risks will correlate with other exposures in their portfolios, most notably in the public equity and credit markets. A practical response will be to direct portions of the private credit allocation to subsectors that are structurally defensive on the one hand and opportunistically positioned to benefit from volatility on the other.

Higher yields, higher levels of borrower stress

Extremely attractive all-in yields available in the loan market are fueling the current enthusiasm for private credit. But what will be the impact of these elevated rates on borrowers who have few other sources of capital? After all, an investor's interest income is simply the flip side of a borrower's debt service cost. Punishingly high interest rates will inevitably lead to higher levels of stress among borrowers.

Default rates across risk credit sectors are increasing

Exhibit 4: Default rates for private credit, leveraged loans and high yield in U.S. markets



Source: Lincoln, Moody's, PitchBook LCD, UBS

Already, we see rising default rates in the high yield and loan markets (**Exhibit 4**). Private lenders typically have more tools to help avoid outright default, but such flexibility has a cost to investors. They may accept new payment-in-kind (PIK) debt in lieu of interest, but this is a stopgap measure that makes it harder to distribute returns to investors. Extending principal maturities – another common device – has the same effect. Investors will come to realize that low default rates are cold comfort if they are getting paid with new debt and on a delayed schedule.

Components of private credit returns: Positive and negative factors

To evaluate private credit relative to other asset classes across the capital markets, simple extrapolation of historical performance may prove to be misleading. Instead, we look to decompose private credit returns into several key components, including: a base interest rate, a credit spread component, the return-enhancing impact of leverage, the cost of that leverage, and losses from defaults in the portfolio. Given the pivot from a benign historical credit environment to a more challenging present (and likely future) credit environment, it is helpful to think through each return component, how it has changed recently and how it will contribute to returns going forward (**Exhibit 5**).

Exhibit 5: Return components may function differently in a more challenging credit environment

Component	Discussion
Base interest rate	• Changing base rates impact all fixed income assets across public and private markets • Was close to zero for most of the post-global financial crisis (GFC) period as the private credit sector emerged • Has risen substantially since 2022 to levels above 5% as the Fed has raised rates to fight inflation • Floating rate and short-duration assets benefit from the current inversion of the yield curve • A future decline in base rates would benefit longer-duration fixed income assets
Credit spread	• Private credit assets exhibit a broad range of credit quality and correspondingly divergent levels of credit spread • Historically, direct lending has exhibited credit spread levels comparable to high yield and leveraged loans • Credit quality has generally improved as banks have stepped away from lending and private credit has targeted more senior debt • Credit spreads across public and private markets have remained relatively tight despite high levels of market volatility and increasing potential for an economic downturn
Leverage	• Most private credit managers apply some fund-level leverage to reach target returns • The post-GFC period offered highly favorable leverage terms to all categories of investors • Higher base rates may allow private credit strategies to reach legacy target returns with less leverage; at the same time, higher public market yield comparisons may push private market return targets higher
Cost of leverage	• Baseline leverage costs have increased materially over the past year (fed funds/Secured Overnight Financing Rate plus a spread) • A larger pool of managers seeking to deploy leverage will raise the cost, all else equal
Default losses	• Legacy defaults at very low levels reflect the benign credit environment of the post-GFC period • Generally low losses for a given level of default driven by tight lending terms; pressure on managers to deploy capital may weaken protections • Higher debt service costs degrade interest coverage ratios and can increase default risk over time • The use of PIK debt and term extensions allows private credit lenders to avoid full default but is directionally negative for investment performance

Source: J.P. Morgan Asset Management

Clearly, as we have noted, private credit is operating in a materially different market environment today vs. the post-GFC era. In place of low base rates, inexpensive leverage and limited defaults, we now observe high base rates, costly leverage and rising defaults. Time will tell how much returns are impacted going forward, but investors should consider what they are getting in return for their capital commitment.

Higher potential returns that result purely from the increase in base rates do not represent a unique value proposition for private credit – all fixed income sectors have repriced to the higher rate environment. Paying private fees for this portion of the return stream is inefficient.

Credit spreads may offer more value: In most sectors of the private market, spreads remain materially wider than in the riskier sectors of the public markets. While some of this premium is a necessary compensation for illiquidity, it also provides a compelling value when combined with the quality and diversification available within the private credit opportunity set.

Manager skill in underwriting credit risk and executing transactions will likely become more valuable as higher rates increase borrower stress and a potential turn in the credit cycle leads to rising default risk.

To date, many direct lenders have benefitted from the "beta trade" of a benign credit market; going forward skill will play a greater role. Deep knowledge in specific sectors, a long track record of lending through credit downturns, and expertise in handling workouts and restructurings, will differentiate managers to a greater degree than in the post-GFC era. We also expect to see greater differentiation between lenders who have focused on financial sponsor (private equity) backed borrowers, and those who are lending to independent firms.

Structurally defensive and selectively opportunistic

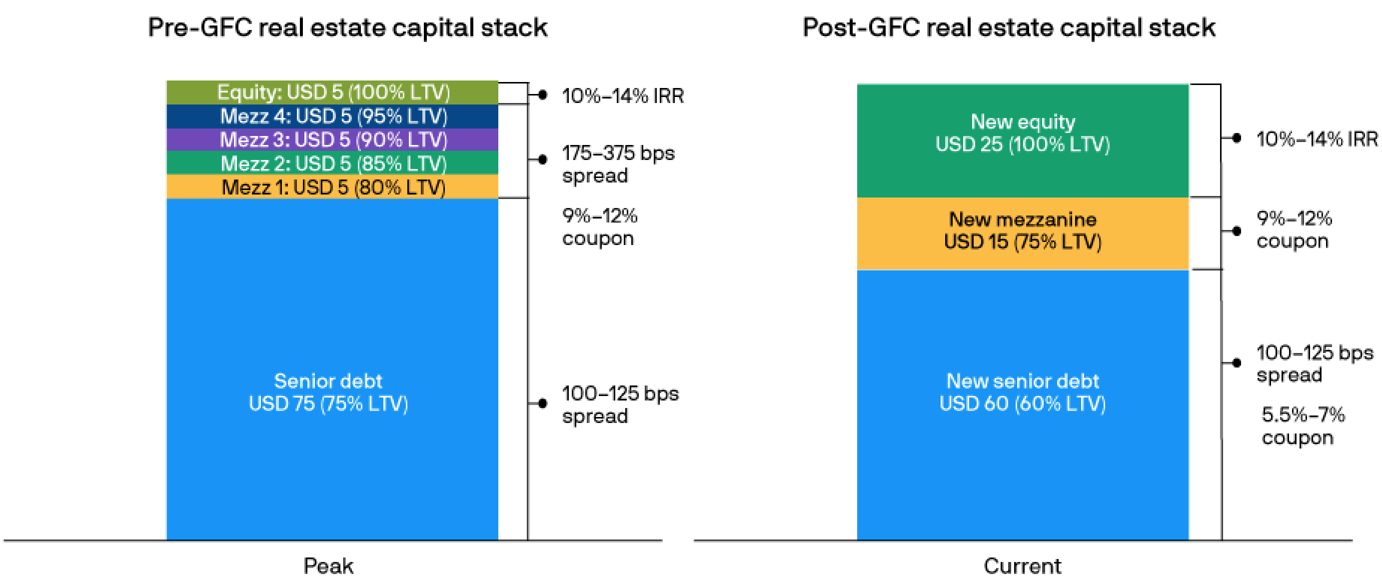
Of course, hiring skilled managers to originate new private loans will continue to be a key driver of success in private credit investing. But asset allocators can also take advantage of specific subsectors of the private credit markets that are well positioned to deliver strong performance during a period of elevated credit risk. We highlight both more defensive and more opportunistic strategies that may be helpful here.

Real estate mezzanine debt

From a more defensive perspective, core real estate mezzanine (RE Mezz) debt strategies offer several valuable attributes that may help shield investors from a broader credit downturn. These include a high quality of assets and sponsors (borrowers), structural downside protection, strong covenant protections, and limited fund-level leverage. It's not a coincidence that RE Mezz debt exhibits lower risk characteristics today: During the global financial crisis, real estate mezzanine debt suffered from a high degree of structural leverage and complex capital structures that proved to be vulnerable to volatility in the underlying assets.

Post-GFC, RE Mezzanine debt has a higher level of equity cushion

Exhibit 6: Simplified capital structure of present-day RE Mezz financing



Source: J.P. Morgan Asset Management

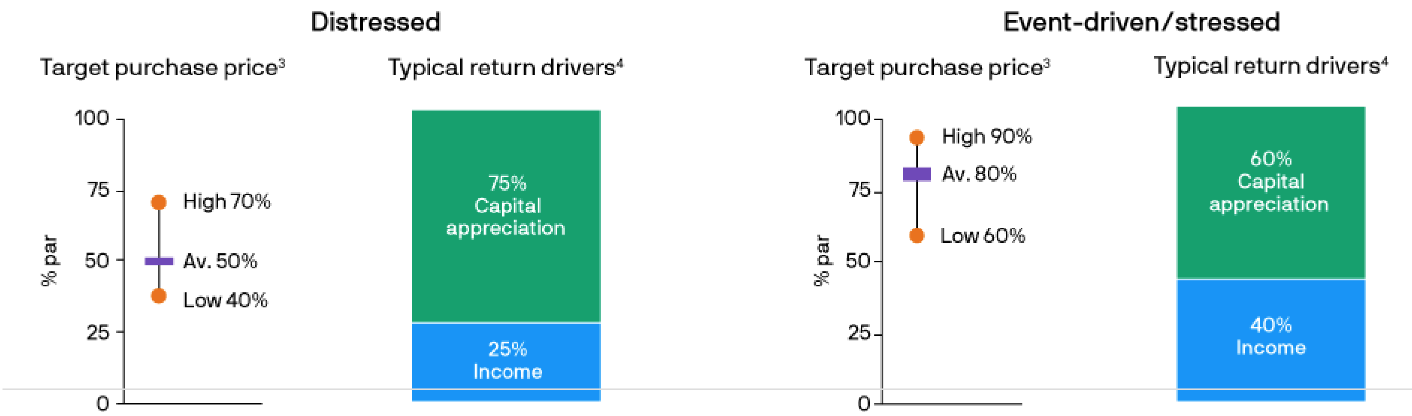
Today’s real estate mezzanine debt market operates with simpler capital structures that include a higher level of equity cushion to absorb downside risk and a level of senior debt that provides a lower attachment point and a more secure position for the mezzanine (**Exhibit 6**). The underlying assets, while not without risk, offer a suitable level of financial and operational transparency to allow rigorous underwriting, and the breadth of the underlying core real estate market allows for the construction of diversified portfolios. Further, mezzanine lenders’ critical role in establishing a viable capital structure allows them to dictate favorable terms while also maintaining an indirect security interest in the underlying asset that offers significant advantages in the event of distress.

Distressed and special situations

At the higher end of the return and risk spectrum, investors can find distressed credit and special situations funds positioned to benefit directly from credit stress – particularly in the case of borrowers who have exhausted other sources of financing. There is a wide range of investment styles in this sector. But they often involve managers purchasing legacy claims from former lenders at a significant discount and/or refinancing existing debt on more favorable terms that include additional security and exposure to the upside in the event of a recovery. Many of these funds can offer high interest secured loans while also receiving some form of equity compensation – quite literally bridging the gap between debt and equity (**Exhibit 7**). There may well be a lag between higher rates and the onset of credit stress, but making commitments to managers now will pay off as opportunities emerge.

Distressed and special situations funds can bridge the gap between debt and equity

Exhibit 7: Distressed and event-driven purchase and return profiles



Source: J.P. Morgan Asset Management

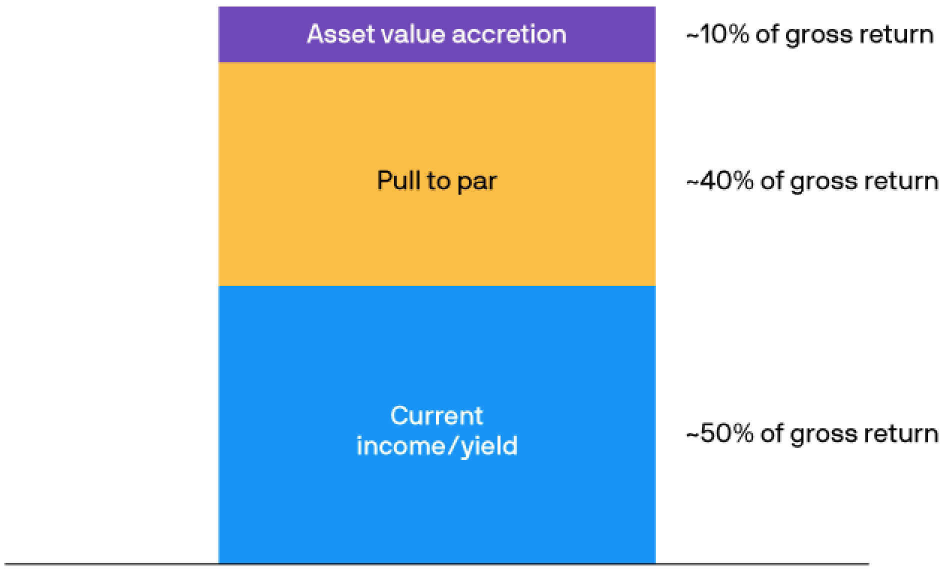
While highly individualized, distressed and special situations strategies generally look to acquire assets at a deeply discounted price that offers both downside protection and a realistic prospect for price appreciation in the event of recovery. This places greater importance on a manager's structuring skill, as well as experience in sourcing transactions involving substantial complexity, which prevents traditional lenders from getting involved. Income plays a role in driving returns, but as the level of borrower distress increases, it is supplanted by deals that are structured to maximize exposure to a recovery, often following some sort of workout and involving a hands-on management role.

Private credit secondaries

Finally, investors should bear in mind that a rapidly growing market for primary investments in illiquid closed-end funds will eventually generate calls for interim liquidity from investors. Managers who are able to provide a secondary market for limited partnership (LP) stakes in private credit funds will earn outsize returns by purchasing them at a discount to their stated net asset value (NAV). Over time, managers dedicated to the secondary space will facilitate the reshuffling of risk among investors while also allowing those looking to place capital in the market quickly and to acquire seasoned portfolios efficiently. We discussed this subject at length in an earlier paper.

At the core of the secondary market: Assets purchased below NAV

Exhibit 8: Key return drivers of private credit secondary market investments



Source: J.P. Morgan Asset Management

Private credit secondaries derive their return from three basic sources **(Exhibit 8)**. The first source, the majority of the return, is the natural yield on the underlying investment portfolio, enhanced by the fact that assets were purchased at a discount to NAV. The second most meaningful share of the return is the capacity of the of the underlying assets to mature at levels above the purchase price (the “pull to par”). The third and smallest contributor is principal accretion, which is the result of securities in the underlying portfolio paying-in-kind or offering other equity stakes or warrants.

A prudent approach to optimizing allocations

The strategic benefits of private credit are compelling. Investors are able to supply credit to sectors of the credit market that used to be serviced by banks, but within a fund structure that is simultaneously better suited to managing risks and delivering strong risk-adjusted returns. A core/satellite approach, focused on direct lending strategies alongside a more diverse set of sector strategies, has become commonplace. Within this framework, finding managers with long track records of successfully underwriting credit risk will be become even more essential.

But additional changes may be needed, as the strong returns and low risk that characterized the initial stages of private credit’s development may prove difficult to sustain. The current surge of investment may challenge the capability of managers to allocate capital effectively, while a potential turn in the credit cycle may raise the risk of borrower stress. The defensive benefits of mezzanine debt and the opportunistic benefits of special situations and secondaries should take on more significant roles. A prudent approach to private credit will manage both risks and opportunities across the investing spectrum.

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SEC Adopts New Rules to Better Protect Institutional Investors in Private Funds

08.25.2023 | By Yuliya A. Oryol, Ashley K. Dunning, Alexander S. Chuang

On August 23, 2023, the U.S. Securities and Exchange Commission (SEC) voted 3-2 to approve 660 pages of new rules and amendments modifying the Investment Advisers Act of 1940 (Advisers Act). The new rules represent some of the most significant reforms in regulating private fund advisers since the Advisers Act was first enacted (Final Rules). The SEC received extensive comment letters from industry groups, private fund advisers and institutional investors after making the proposed rules (Proposed Rules) public nearly a year and a half ago.

The GP community especially pushed back against the Proposed Rules arguing that fund terms should not be dictated by the SEC but should continue to be negotiated between “sophisticated” institutional investors and private fund advisers, and that the increased regulations with respect to audits, disclosures and reporting would increase costs and limit investment options for institutional investors.

The Final Rules, although still opposed by many GPs, have been watered down and are not as expansive as the GPs had feared. The Final Rules address many of the issues that the LPs have complained to the SEC about over the years while still recognizing the important role that private fund investments play today in the investment portfolios of most institutional investors. With the adoption of the Final Rules, the SEC attempts to better protect LP interests by encouraging accountability and transparency while at the same time fostering public trust and interest in alternative investments.

The Final Rules

The following three rules apply to *registered* Private Fund Advisers:

1. **Quarterly Statement Rule**: Registered private fund advisers must provide a quarterly statement to investors that includes fund-level details such as performance, investment costs, fees, expenses and compensation paid to the advisers.

2. **Private Fund Audit Rule**: Registered private fund advisers must obtain an annual financial statement audit of the funds they directly or indirectly advise. The audits must meet the audit provisions set forth in the Advisers Act's custody rule (rule 206(4)-2)).
3. **Adviser-Led Secondaries Rule**: Registered private fund advisers that offer investors the option of selling some or all of their interests and converting those interests for interests in another vehicle must obtain a fairness or valuation opinion and provide a summary of any material business relationships the advisers have or have had with the independent opinion provider within the prior two years.

The following two rules apply to *all* Private Fund Advisers:

1. **Restricted Activities Rule**: Private fund advisers cannot engage in the following activities:
    1. Without disclosure to, and consent from the investors, private fund advisers cannot 1) charge the fund with fees or expenses for a governmental or regulatory investigation of the adviser; or 2) borrow from the fund.
    2. Without certain disclosures to the investors, private fund advisers cannot 1) charge the fund any compliance, examination or regulatory fees; 2) reduce the amount of an adviser clawback by actual or hypothetical taxes (disclosures must include the pre-tax and post-tax amounts); or 3) charge the fund fees or expense related to portfolio investment on a non-pro rata basis (unless the allocation is fair and equitable and the adviser so explains).
    3. Regardless of disclosure or consent, private fund advisers cannot charge the fund fees or expenses related to an investigation that results in or has resulted in the imposition of sanctions for a violation of the Advisers Act.
2. **Preferential Treatment Rule:** Private fund advisers cannot provide preferential terms to investors that have a material negative effect on other investors regarding 1) certain redemptions from the fund, unless the ability to redeem is required by applicable law or such redemption rights are offered to all the other investors; 2) information about portfolio holdings and exposures, unless such information is offered to all other investors; or 3) preferential treatment (such as with respect to side letters), unless material economic terms (although not all investment terms) are disclosed before an investment is made in the fund and all terms are disclosed after the investment in the fund.

It is important to note that despite the concerns expressed by the GP community that the Proposed Rules would alter the standard of care in investment documentation, the Final Rules ultimately do not impose such limitations on indemnification, exculpation, reimbursement or limitation of liability. Similarly, the SEC did not adopt the prohibition on charging for services not performed as set forth in the Proposed Rules, stating that such a practice is already inconsistent with the private fund adviser's fiduciary duties under the Advisers Act.

Legacy Status

The SEC will grant legacy status for the prohibitions aspect of the Preferential Treatment Rule (which prohibits advisers from providing certain preferential redemption rights and information about portfolio holdings). The SEC will also grant legacy status for the investor consent aspect of the Restricted Activities Rule (which prohibits advisers from borrowing from a fund and charging for certain fees and expenses).

Compliance Deadlines

The Final Rules will be in effect 60 days after they are published in the Federal Register. Private fund advisers will then have varying transition periods depending on the rule to be in full compliance:

1. For the Quarterly Statement Rule and Private Fund Audit Rule – 18 months.
2. For the Adviser-Led Secondaries Rule, the Restricted Activities Rule and the Preferential Treatment Rule – 12 months for advisers with $1.5 billion or more AUM, and 18 months for advisers with less than $1.5 billion AUM.

Looking Forward

During the comment period, the GPs pushed-back and threatened legal challenges to the Final Rules if approved. Although the SEC has scaled back some of the most controversial aspects of the Proposed Rules, we believe that the GP community may well commence litigation to prevent the implementation of the Final Rules (if not on substance, then at least on procedural grounds with respect to the SEC's authority to approve the Final Rules). We remain hopeful that after the dust has settled, many of the Final Rules will remain in effect and offer better protections for investors than before. Since the Final Rules have only recently been approved, it's still too early to tell how the Final Rules will impact fund terms and negotiations with the GPs.

As an LP-only law firm that works on behalf of institutional investors, many of whom are fiduciaries of trust funds that they are investing, we remain hopeful that despite the scaled back approach to the Final Rules, the increased oversight of private fund advisers by the SEC will nonetheless guide GPs to implement better practices and overall improve fund terms. This will permit institutional investors to invest in private funds with stronger protections of those investments. We look forward to keeping you apprised of developments arising from the implementation of the Final Rules.

SEC Adopts Sweeping Final Private Fund Disclosure Rule

The regulator discarded contentious provisions to ban indemnification clauses and accelerated monitoring fees, but said it may enforce them separately via anti-fraud rules.

By Lydia Tomkiw, Tom Stabile | August 24, 2023

This story initially ran in FundFire Alts.

The **Securities and Exchange Commission** yesterday adopted the most sweeping revisions to private fund regulations since the 2010 Dodd-Frank Act, adding significant new requirements on reporting, disclosures, external audits and treatment of preferential terms. The 3-2 vote was along party lines, with the majority held by Democratic appointees.

The SEC, however, cut or altered various provisions from its original February 2022 proposal. The adjustments include completely removing contentious items that would have banned private fund managers from adding indemnification clauses to limit their fiduciary duty to investors and from charging for services not yet rendered, such as accelerated monitoring fees. But the regulator indicated it could pursue enforcement in those areas via existing anti-fraud statutes.

SEC Chair Gary Gensler (Photo credit: Bloomberg)

The adopted release – a set of five new rules and amendments to regulations under the Investment Advisers Act of 1940 – will impact much of the alts industry, particularly private equity and hedge funds. The agency has argued for the rule changes, citing the private fund industry's massive growth, now representing a **$25 trillion market**, according to SEC statistics.

The proposed rule **landed with a thud** 18 months ago and has been hotly debated and anticipated by the industry for months. SEC Chair **Gary Gensler** emphasized during yesterday's meeting that the regulators listened closely to the industry's comments on the proposed rule over the past year.

"In finalizing today's rule, we really benefitted from robust public feedback on our proposal," he said. "First, for example, as detailed in the release, the final rule was revised from the proposal to allow for more flexibility to offer preferential treatment through side letters so long as they're disclosed, and in some cases the preferential treatment is offered to all investors. Second, the prohibition on reimbursement for examination costs was revised to be permitted, as long as it's disclosed."

Gensler cited other examples, including the introduction of a grandfathering clause for certain rule changes to prevent managers from having to significantly renegotiate or "repaper" existing contractual agreements.

SEC Commissioner **Hester Peirce**, who cast one of the two dissenting votes, called the rule "ahistorical, unjustified, unlawful, impractical, confusing and harmful." She also argued that many of the provisions are unnecessary because "private fund investors have the ability to negotiate the terms that are important to them."

The SEC had solicited feedback on the proposals across two comment periods last year, and received nearly 500 letters from industry firms, organizations and individuals. Just yesterday, the SEC also reopened the comment period for another closely watched draft – its **proposed update** to the custody rule.

Industry Reaction

There is still a lot to digest and understand about the new disclosure rules, said **Chris Avellaneda**, a partner in **Schulte Roth & Zabel**'s investment management, regulatory and compliance law group.

"Our first take is this is going to be a significant and far-reaching rule that will impact how fund managers interact with their investors and clients," he said.

The adopted rules include a new requirement for private fund managers to distribute quarterly statements to their investors with fund-level data on performance, fees, expenses, investor costs and compensation paid to the vehicle's sponsors – a practice that some firms conduct today but that is neither universal in the market nor standardized. The rules also add a requirement for managers to obtain a custody rule-compliant audit of each private fund's financial statements, including portfolio company valuations.

And the rules add a new reporting requirement for private equity managers tapping into the **continuation fund** trend – in which they carve out an asset from a current private fund and sell it into a new vehicle the manager controls, with external secondaries fund managers buying up stakes from investors that don't want to invest in the follow-on product. Managers must now obtain an independent fairness or valuation opinion on the proposed transaction and make it available to current investors.

Stepping back from the contentious aspects of the proposal is not surprising given the significant industry pushback, said **Genna Garver**, partner in the investment management and compliance law group at **Troutman Pepper Hamilton Sanders**. But the SEC may address those matters with other guidance, she said.

"Both of these items – indemnification and accelerated monitoring fees, and the concept of whether disclosure alone is enough protection for investors – go to the heart of the SEC's power," she said. "The work to be done now is to understand the footnotes and what's in the examples of the adopting release... We'll likely be left with some gray area still."

The final adopted rule followed the staff's recommendation to drop language that would have barred fund sponsors from seeking reimbursement, indemnification, exculpation or limitation of liability from investors for any breach of fiduciary duty, or for other unscrupulous conduct such as "willful misfeasance," negligence, bad faith or recklessness. But the adopting release clarifies that the SEC contends a manager still cannot waive its fiduciary duty under federal law – and that accordingly, the fund sponsor would violate the 1940 Act if it sought indemnification or other release for breaches of that specific obligation.

The original proposal's ban would have significantly altered the scope of current regulations, Garver said.

"It's clear there is an implied fiduciary duty under the Advisers Act, but not a corresponding private right of action for investors to enforce that duty – only the SEC can enforce that," she said. "If we are left with uncertainties, one can only assume we'll be dealing with a regulation through enforcement scenario to learn what's going to be OK and what's not going to be OK."

And while the final rule also drops the proposed ban on charging a fund's portfolio companies for monitoring, servicing, consulting or other fees that the manager does not ultimately provide, the adopting release states that charging any client for "unperformed services" – or activities it does not "reasonably expect" to provide – is "inconsistent" with a fund sponsor's fiduciary duty.

Previous SEC enforcement actions related to accelerated monitoring fees had targeted fund managers that **failed to disclose** their practice of collecting such payments from portfolio companies. The language in today's release suggests a new standard that could ban the practice outright.

During Wednesday's meeting, Peirce questioned the idea that the items now being left out of the rule are still illegal under the SEC's interpretation.

"The proposal would have outright prohibited some practices," she said. "But now the adopting release comes back and says, 'Never mind, we don't need to do that because those practices are already illegal.'"

Peirce also said that there may be managers in the market who will be surprised by the SEC's stance on these issues.

"We're saying here for the first time definitively that we think these are already illegal practices," she said. "So, what's our plan for giving [managers], who didn't believe that before we said it here, time to come into compliance?"

The step back on the negligence standard also shouldn't overshadow the rules adoption's wider impact, said **Kelly Koscuiszka**, co-chair of the management, regulatory and compliance law group at Schulte Roth.

"You are hearing some relief because there were changes," she said. "But we shouldn't lose sight of how significant the changes will be."

Indeed, the adopted rules contain some outright bans, such as prohibiting charges to a private fund for fees or expenses associated with the investigation of the manager that results in a court-ordered or governmental authority sanction for violating the 1940 Act or its rules.

The rules also would prohibit a manager from providing preferential treatment to certain limited partners that could have a "material negative effect" on others in the fund, unless the sponsor discloses the practices to all current and prospective investors. The preferential treatment ban covers the ability for investors to redeem capital from the fund, unless all investors get offered the same terms, as well as the manager sharing information about portfolio holdings or exposures, again unless all limited partners receive the same data.

The adopted rules also pare back the original proposal's list of prohibited practices and recast them as "restricted," with new language allowing some of the activities if the manager issues disclosures or obtains consent. For instance, managers would be able to charge regulatory, examination and compliance fees to their funds as long as they properly disclose the practice to investors, and similarly would be able to reduce the amount of clawback payments to investors by the amount of tax liabilities they face, if they issue adequate disclosures.

The rules also call for all managers, including private fund sponsors, to document their compliance policies and procedures in writing.

The new rules and amendments will become effective on different timelines. For the private fund audit rule and the quarterly statement rule, the compliance date will be 18 months after the date of publication in the Federal Register. For the adviser-led secondaries rule, the preferential treatment rule, and the restricted activities rule, the compliance dates are: for managers with $1.5 billion or more in private fund assets under management, 12 months after publication in the Federal Register; and for managers with less than $1.5 billion, 18 months after publication in the Federal Register. Compliance with the amended Advisers Act compliance rule will be required 60 days after publication in the Federal Register.

Strategist's Corner
February 2023

Fixed Income is Attractive, but Beware of "Fake" Yield

Author

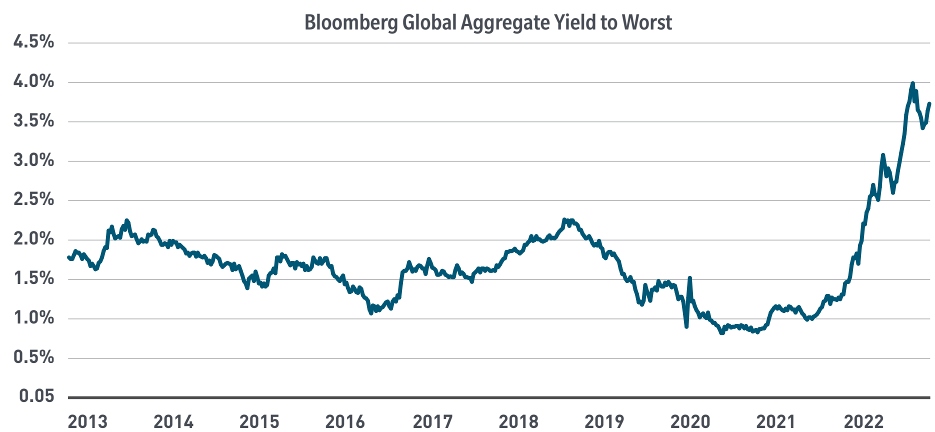
Robert M. Almeida, Jr.
Portfolio Manager and
Global Investment Strategist

In brief:

- Soaring policy rates have made cash a competitive asset again, prompting an overdue de-rating of risk assets.
- But just because yields are higher, that doesn't mean risk is lower.
- The recent shift from yield-scarcity to abundancy is exciting, but one that needs to be approached carefully as higher rates make the operating environment more difficult and economic and financial stress comes with the territory.

Years of weak economic growth and quantitative easing caused interest rates to compress, creating a scarcity of yield throughout the 2010s. However, all that was reversed last year as central banks belatedly took action to contain stunningly high levels of global inflation.

Exhibit 1: There's lots more yield to be had



Source: Bloomberg, Weekly data from 01/04/13 to 12/30/22. Yield to Worst: For fixed income securities, yield is the discount rate that equilibrates the net present value of all future cash flows to the current market value. Average Yield is the equivalent exposure weighted average yield to worst which is typically the lowest of the yields to each potential call or put or the yield to maturity, whichever is worst.

Soaring policy rates resulted in cash becoming a competitive asset again, which in turn prompted an overdue de-rating of risk assets. At the same time, higher sovereign bond yields combined with wider credit spreads are creating an abundance of yield.

A coming shift in focus

Whether inflationary pressures decelerate more slowly or quicker than expected, central banks are moving closer to peak overnight rates. And from our perspective, the combination of relatively high yields and normalized credit spreads has made fixed income quite attractive. So much so that the multi-sector income portfolios that I manage are overweight fixed income and underweight equities.

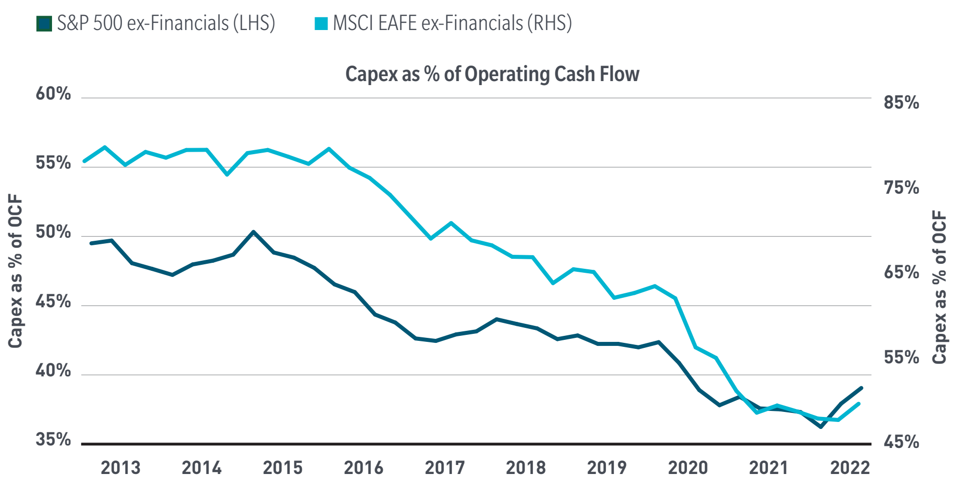
However, as 2023 progresses, we expect the market's focus to shift from inflation, interest rates and duration fears to concerns over the slowing global economy, earnings, profits, bond defaults, bankruptcies and the like.

And just because yields are higher, it doesn't mean risk is lower. The business environment has changed in many ways over the past few years. For example, from a cash flow generation standpoint, the most acute and obvious challenges are higher interest expense and labor, both of which dramatically lower the profit calculus.

Less acute, but no less important, is what we believe will be rising capital intensity that will add to the list of business challenges.

Taking a step back, the economic stagnation of the 2010s was a function of corporate savings exceeding investment. Given the low-growth environment, companies diverted capital away from productive projects to financialize returns through higher dividend payouts, stock repurchases and mergers and acquisitions. At the same time, globalization allowed companies to outsource production to lower-cost countries, further driving up profitability. All this resulted in a global fall in capital intensity throughout the decade, as illustrated in Exhibit 2.

Exhibit 2: Over the past decade, less capex and more financialization



Source: FactSet Portfolio Analysis. Quarterly data from 30 March 2013 to 30 September 2022 (latest available). Capex = Capital expenditures, OCF = Operating cash flow. Capex and OCF are last-twelve-months.

But the world has changed. Customers, employees and investors are demanding different behavior from companies in many areas. Among them are greater respect for the environment and supply chains that respect human rights. Simple steps to reduce greenhouse gases require capital, not to mention the considerable costs associated with updating 100+ year-old electricity grids and large, costly green projects. And moves toward deglobalization and onshoring will require capital. In our view, years of underspending will turn into years of increasing spending. And all of this alters tomorrow's profit margin trajectory relative to the one of the 2010s and I don't think investors have taken that into account.

What you see isn't necessarily what you'll get

The average yield on a US high yield bond is close to 10%. How many of those leveraged borrowers have projects that will generate a return above 10% in an environment of weakening demand, materially higher-operating costs and increasing capex? Under those circumstances, companies that are able to acclimate themselves to a higher interest rate environment while outearning their elevated capital costs will tender for their cheaply priced bonds, while those that are unable to do so will likely default. As a result, those 10% yields may prove ephemeral. In other words, they're "fake yields".

The shift from yield-scarcity to abundancy is exciting, but one that needs to be approached carefully. The intent of higher policy rates is to reduce inflation and aggregate demand. Put simply, higher rates make the operating environment more difficult for companies and economic and financial stress comes with the territory.

While corporate leverage ratios and interest coverage look "normal" today, that is in large part a function of elevated trailing profits. And I don't believe that's the right way to think about it. Debt and financial leverage matter most when the balance sheet is stressed. As profits and margins reset lower, the timing and magnitude of which I'm uncertain, we think there will be financial stress and credit events. As a result, weaker enterprises who took on more debt than they can handle may fail to deliver their promised bond yields.

The **Bloomberg Global Aggregate Bond Index** measures the performance of the global investment grade, fixed-rate bond markets.

The **S&P 500 Stock Index** measures the broad U.S. stock market

The **MSCI EAFE Index** is designed to represent the performance of large and mid-cap securities across 21 developed markets, including countries in Europe, Australasia and the Far East, excluding the U.S. and Canada.

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Don't Neglect Investments Outside the U.S.

Equity investors have both tactical and strategic reasons to combat home country bias and to go global.

Morningstar Inc.
June 2023

Dan Lefkovitz
Strategist, Morningstar Indexes
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https://indexes.morningstar.com/

An *Economist* cover story could once again signal a market top. In April, the venerable publication led with: "Riding High: The Lessons of America's Astonishing Economy." It noted the United States' sustained record of innovation, productivity, and stock market dominance. Longtime *Economist* readers will recall several covers that turned out to be contrarian indicators—2003's "The end of the Oil Age"; 2009's "Brazil takes off"; or June 2022's "Europe's Winter Peril." Could this one follow suit?

A common theme at the 2023 Morningstar Investment Conference in Chicago was the relative attractiveness of investment opportunities outside the U.S., especially equities. Some speakers pointed to macro factors, including recession, inflation, and the dollar as reasons to be wary of the U.S. market. Stock-pickers cited fundamentals, such as better valuations elsewhere and U.S. market concentration.[1]

The Morningstar Global Markets Index,[2] a broad gauge of equities spanning 48 developed and emerging markets, has been dominated by the U.S. for years. The U.S. share of global stock market value has climbed to near 60%—far out of proportion to its 25% share of the global economy. History suggests a cyclical nature to geographic leadership, for both markets and currencies. Global diversification may not have paid off lately, but U.S. investors have good reason to broaden their opportunity set across borders. The rationale is both tactical and strategic.

Key Takeaways:

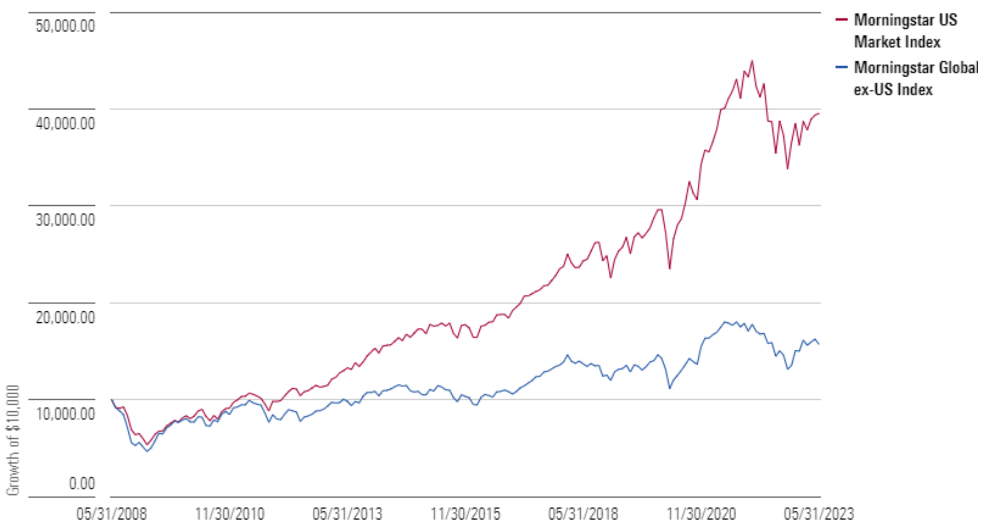
- The U.S. equity market looks high-priced, top-heavy, and low yielding compared with global counterparts.
- Investors would do well to reflect on the impermanence inherent to capitalism. Markets are cyclical; currencies fluctuate; and valuation differentials create opportunity.
- A number of catalysts could favor equities outside the U.S., some macro some micro.
- Ultimately, the strategic case for global diversification is strong. It's less about noncorrelated assets and more about broadening the investment opportunity set to the fullest. Many of the leading global franchises, including companies dominant in the U.S. market, are found across the globe. Great businesses at compelling prices can come from anywhere.

1 Lynch, Katherine. "Which Will Outperform: U.S. Stocks or International?" Morningstar. April 28, 2023.
2 For a full discussion of index methodology, see Morningstar Global Markets Rulebook

An American Equity Epoch

Since the global financial crisis of 2007-09, U.S. equities have led the pack. For the 15-year period through the end of May 2023, the Morningstar US Market Index, which includes large-, mid-, and small-cap stocks, quadrupled in value (with dividends reinvested). The Morningstar Global ex-US Index, which spans developed and emerging markets, has not even doubled, in U.S. dollar terms.

Exhibit 1 U.S. Stocks Have Trounced Their Counterparts Outside the U.S. Since the Global Financial Crisis



Source: Morningstar Direct. Total Return and Gross Return, USD index variants displayed.

How has this happened? Apple, Microsoft, Alphabet, Amazon.com, and Nvidia have joined the "Trillion Dollar Club" on the back of soaring profits. Stocks like Meta Platforms (formerly Facebook) and Tesla came to market after the financial crisis and are now among the world's largest public companies.

Equities outside the U.S., for their part, have stumbled. Chinese internet giants like Tencent and Alibaba had a spectacular rise, but then got kneecapped by a government crackdown starting in late 2020. Corporate Europe was labeled by the *Economist* as "The land that ambition forgot" for its lack of dynamism and old economy orientation—banks, telecoms, and conglomerates. The U.K. is a shadow of its former self. A *Financial Times* op-ed carried the title "London is becoming the Jurassic Park of stock exchanges," thanks to Brexit and other factors. Japan has muddled along, and while markets like India and Sweden have shined, their equity gains are much diminished when translated into U.S. dollars.

"King Dollar" has been dominant. In 2022, the euro fell below dollar parity for the first time in two decades. The yen hit an all-time low against the greenback that year.

U.S. share of the global equities universe—as measured by the Morningstar Global Markets Index—has risen to 59% as of mid-2023, not quite as high as the 61% level at the end of 1999, but a far cry from sub-40% in early 2009. Meanwhile, the U.S. share of the global economy is only 25%, a striking contrast.

Exhibit 2 The U.S Share of Global Equities Grew From Sub-40% 15 Years Ago to Near 60% Today

Source: Morningstar Direct and Morningstar Indexes. Total Return, USD index variant displayed.

Of the largest 20 public companies as of mid-2023, only two weren't American.

Exhibit 3 Only Two of the World's 20 Largest Public Companies Now Come From Outside the U.S.

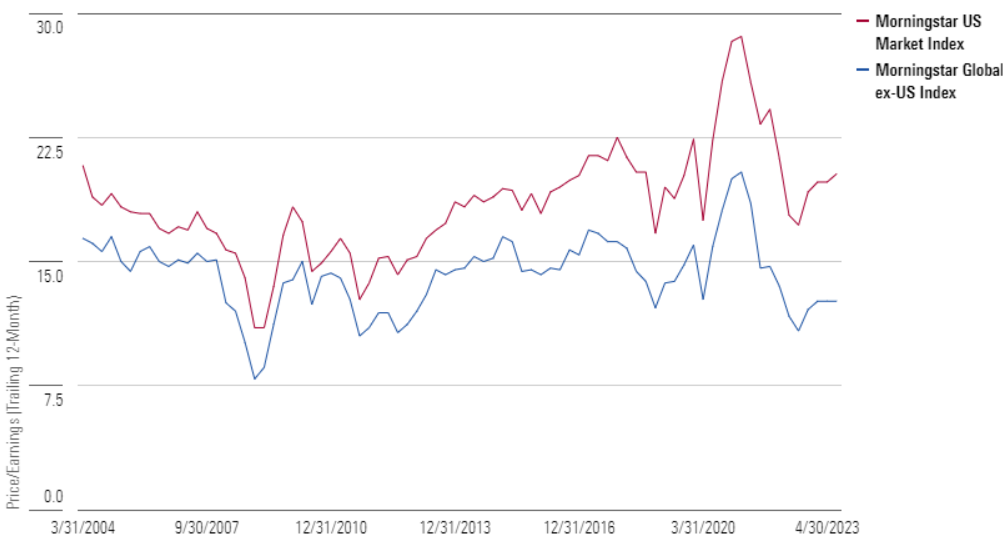
Constituent	Weight %	Country	Sector
Apple	3.9	U.S.	Technology
Microsoft	3.6	U.S.	Technology
Amazon.com	1.6	U.S.	Consumer Cyclical
Nvidia	1.4	U.S.	Technology
Alphabet A	1.1	U.S.	Communication Services
Alphabet C	0.9	U.S.	Communication Services
Meta Platforms	0.9	U.S.	Communication Services
Berkshire Hathaway	0.9	U.S.	Financial Services
Tesla	0.8	U.S.	Consumer Cylical
UnitedHealth	0.7	U.S.	Healthcare
ExxonMobil	0.6	U.S.	Energy
Johnson & Johnson	0.6	U.S.	Healthcare
JPMorgan Chase	0.6	U.S.	Financial Services
Visa	0.6	U.S.	Financial Services
Taiwan Semiconductor Manufacturing	0.5	Taiwan	Technology
Eli Lilly	0.5	U.S.	Healthcare
Broadcom	0.5	U.S.	Technology
Procter & Gamble	0.5	U.S.	Consumer Defensive
Nestle	0.5	Switzerland	Consumer Defensive
Mastercard	0.5	U.S.	Financial Services

Source: Morningstar Direct. Morningstar Global Markets Index Constituents. Data as of May 31, 2023.

Valuation and Concentration Should Be Concerns for U.S. Investors

"The view from the Morningstar Investment Conference is that [international stocks] are looking exceptionally cheap relative to U.S. stocks right now," began a recent article on Morningstar.com.[3] This is certainly true when comparing markets on a price/earnings basis. Though the U.S. has long traded at a premium, justified by the growth and profitability of many of its leading companies, the gap has widened dramatically in recent years. In the 2004-07 time frame, U.S. equities sometimes traded below a 15% premium. U.S. stocks were 60% more expensive as of mid-2023.

Exhibit 4 U.S. Stocks Have Long Traded at a Premium, but the Gap Has Widened in Recent Years



Source: Morningstar Direct. Data as of May 31, 2023.

When global equities are viewed more granularly, the scope of the U.S. premium becomes apparent.

Exhibit 5 U.S. Equities Are Pricey Compared With All Broad Counterparts

Index	Price/Earnings (Trailing 12-Month)
Morningstar US Market	20.3
Morningstar Global ex-US	12.6
Morningstar Emerging Markets	11.4
Morningstar Developed Europe	13.2
Morningstar Japan	13.5
Morningstar Asia Pacific	13.0
Morningstar UK	10.1

Source: Morningstar Direct. Data as of May 31, 2023.

3 Lynch, Katherine. "Which Will Outperform: U.S. Stocks or International?" Morningstar. April 28, 2023. https://www.morningstar.com/articles/1153032/which-will-outperform-us-stocks-or-international?utm_source=eloqua&utm_medium=email&utm_campaign=newsletter_stockstrategist&utm_content=44498

Partly as a result of high prices and partly because of the growth nature of its market, the U.S. compares unfavorably from a yield perspective with its peers.

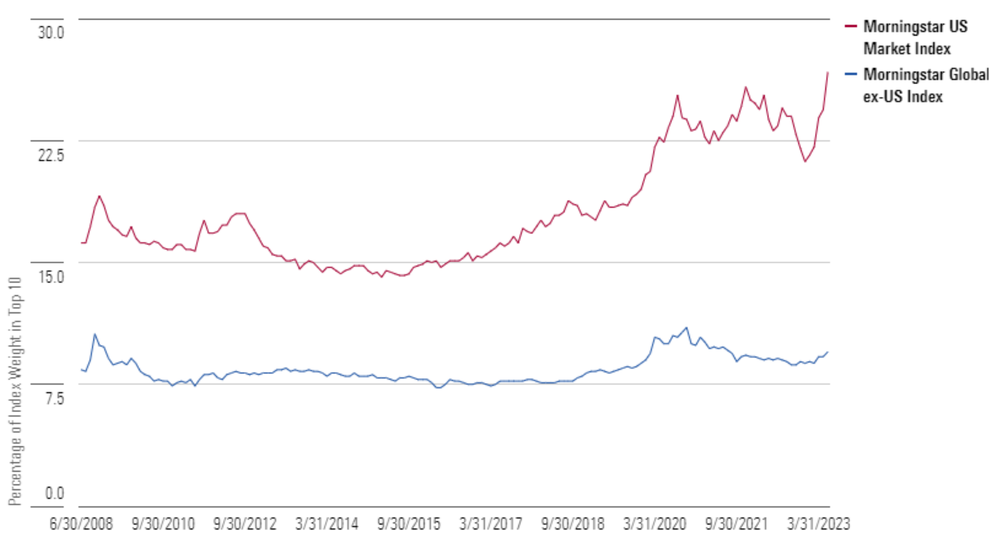
Exhibit 6 Dividend Yields Are Far Higher in Equity Markets Outside the U.S.

Index	Forward Dividend Yield %
Morningstar US Market	1.6
Morningstar Global ex-US	3.2
Morningstar Emerging Markets	3.3
Morningstar Developed Europe	3.2
Morningstar Japan	2.5
Morningstar Asia Pacific	3.0
Morningstar UK	4.0

Source: Morningstar Direct. Data as of May 31, 2023.

Concentration was another issue cited from the Morningstar Investment Conference stage. "The U.S. market is driven by eight companies, and most of their price/earnings ratios are very high, while international stocks trade in single-digit price/earnings ratios," said Dan O'Keefe, portfolio manager at Artisan. "If you think the U.S. market is going to outperform international equities, which in many cases are at single-digit price/earnings ratios, you have to believe Apple is going to expand its multiple and grow its earnings," O'Keefe said. "I wouldn't make that bet at all," he stated.

Exhibit 7 The Top 10 Companies in the U.S. Market Have Grown Their Share Significantly



Source: Morningstar Direct. Data as of May 31, 2023.

As with vaalution, concentration has long been a feature of the U.S. stock market. The U.S. has been consistently more top-heavy than the universe of equities outside the U.S. That's partly a function of it being a single market—the Morningstar US Market Index, which includes, large-, mid-, and small-cap stocks (not micro-cap) contained roughly 1,500 securities as of mid-2023. By contrast, its global ex-U.S. counterpart spanned 47 developed and emerging markets and roughly 6,500 securities. But whereas the largest U.S. companies now consume a far larger share of the market—27% as of mid-2023—concentration outside the U.S. has decreased, to just 9.5% share for the top 10. The U.S. market is now more concentrated than during the late-'90s bubble period.

Change Is the Only Constant in Markets

Valuation and concentration are important, but they are insufficient reasons for a leadership rotation. Pricing differentials can persist. So can concentration. Perhaps it's simply a winner-take-all era.

Historical perspective on market cyclicality is important to consider. Think back to before the financial crisis. The first 10 years of the 21st century is referred to as the "lost decade" for U.S. investors. Those who piled into the late-1990s era of "irrational exuberance" saw the popping of the dot-com bubble, then recession and 9/11. Even when the market rebounded in 2003, it was a tepid recovery. In 2008, the market crashed. An investment in the broad U.S. equity market at the start of 2000 was worth less by the close of 2009.

This was not the case for stocks outside the U.S., which enjoyed a boom from 2003-07. Emerging markets were especially strong during those years. China's runaway economic growth drove a "commodities super-cycle." The hottest investment theme was BRICS—Brazil, Russia, India, China, and sometimes South Africa.

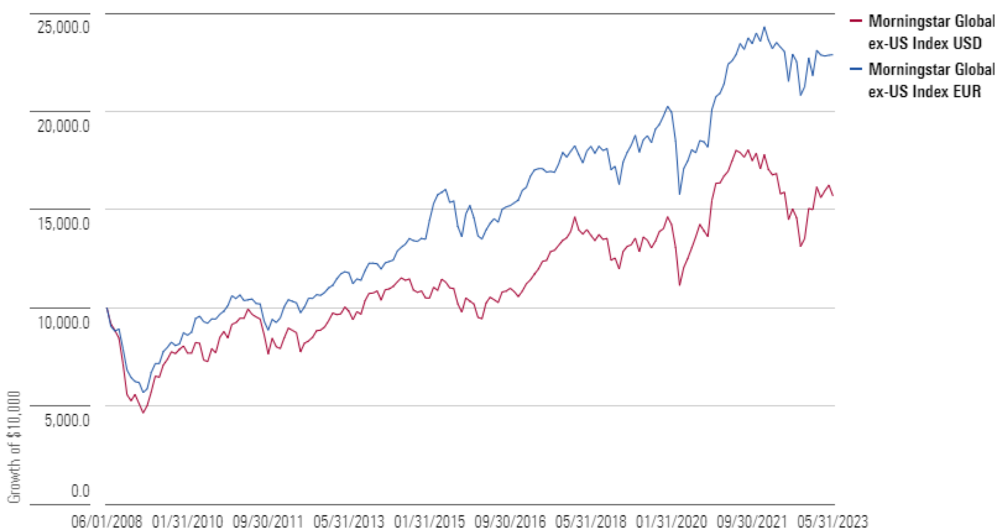
Exhibit 8 The Lost Decade for U.S. Stocks Wasn't as Bad Outside the U.S.

Source: Morningstar Direct. Total Return and Gross Return, USD index variants displayed.

It was by no means obvious in 2010 that U.S. equities would so thoroughly dominate in the years after a crisis that originated in the U.S. housing market and financial system. Impermanence is a feature of capitalism. Old industries fade, and new ones emerge. Some of the largest companies in the U.S. market were not even public 10 years ago.

Currency leadership can also be cyclical. Dollar dominance has diminished returns for equities outside the U.S. when translated into dollars. In euro terms, their performance has been much better.

Exhibit 9 Dollar Dominance Has Diminished Global Equity Returns When Translated Into USD



Source: Morningstar Direct. Gross Return USD and EUR index variants displayed.

Investor Ruchir Sharma wrote about "peak dollar" for the *Financial Times* in January 2023:

> *"The dollar has been the world's dominant currency for 102 years, eight years longer than average for its five predecessors going back to the 15th century, including most recently the British pound. Decline is overdue. Yet the prevailing assumption remains that, lacking serious rivals, the dollar can stay dominant—now and for the foreseeable future.*
>
> *"The dollar's long rule has been far from a steady climb though, instead rising and falling in long cycles. Its two major upward swings—one starting in the late '70s, another in the mid 90s—last about seven years, yet by October its latest upswing was 11 years old. The greenback is now as expensive as it has ever been, on some metrics."*[4]

Time will tell if Sharma is right. There are good reasons the dollar could stay ascendent and strong. But the risk of dollar decline is worth hedging. A portfolio should be prepared for a range of scenarios.

What about potential catalysts for stocks outside the U.S.? Sure, they're cheap, but could they just be a value trap? Beyond dollar weakening, a few potential tailwinds include:

4 Sharma, Ruchir. "Ruchir Sharma's investor guide to 2023: from peak dollar to better TV." *Financial Times*. Jan. 5, 2023.

- China's noncorrelated economic cycle
- Japan's continued corporate restructuring
- The clean energy transition
- Supply chain reshuffling/reshoring/near-shoring/friend-shoring
- Emerging-markets growth

Emerging markets are a "high conviction" asset class in the view of Morningstar Investment Management. Philip Straehl writes:

> *"[T]he structural story around emerging markets remains intact. Emerging markets represent 80% of the world's population and nearly 70% of the world's GDP growth, but only 10% of the total global equity market cap. A burgeoning middle class continues to develop in emerging markets and should present interesting opportunities for investors, albeit with higher volatility.*"”[5]

At the micro level, companies outside the U.S. are benefiting alongside their U.S. counterparts from trends like artificial intelligence, industrial automation, fintech, and innovative medical therapies. The beneficiaries of these growth drivers will come from across the value chain and across geography.

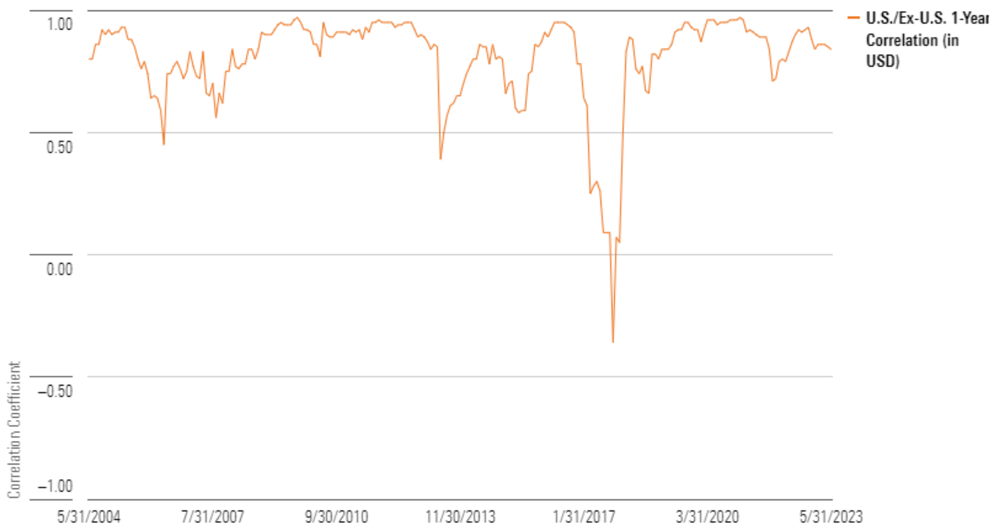
The Strategic Case for Global Diversification

Regardless of what happens in the near term, there's a good strategic case to be made for maintaining global exposure in a portfolio. Diversification has often been called the only free lunch in investing. Combining asset classes with correlations below 1.0 reduces a portfolio's overall risk profile and can contribute to superior risk-adjusted returns.

There is some diversification benefit to global investing, though it's not as if stocks outside the U.S. are an uncorrelated asset class. As displayed below, U.S. and ex-U.S. equities have typically moved in the same direction over the past 20 years. But not always. Correlations bounce around.

5 Straehl, Philip. "Global Convictions: April 2023 Asset Class Research. Morningstar Investment Management." April 27, 2023. https://mp.morningstar.com/en-us/articles/bltfde9e78437d85ee5/global-convictions-april-2023-asset-class-research

Exhibit 10 U.S. and Non-U.S. Stocks Have Tended to Move in the Same Direction—But Not Always



Source: Morningstar Direct. Morningstar US Market TR USD Correlation Displayed Relative to Morningstar Global ex-US GR UD. 5/31/2004-5/31/2023. Rolling Window One Year; One-Month Shift.

Why are equities across geographies more correlated to each other than stocks are to bonds? Several factors are at play, from the influence of global capital flows to the interconnectedness of the global economy. For example, only 61% of the Morningstar US Market Index's revenues are sourced from the U.S., according to Morningstar's revenue by region estimates. For Europe, less than half the index's revenues come from within the region.

Then there are sector dynamics. Energy and basic materials are deeply influenced by global commodities prices; companies in those sectors will respond similarly regardless of geography. Technology businesses across the world benefited from the shift to remote work and e-commerce during the pandemic.

But just because equities in different geographies don't diverge to the same extent as stocks and bonds doesn't mean they don't make essential contributions to a diversified portfolio. Investors everywhere exhibit home country bias, where preference for the familiar local market can leave a portfolio diverging meaningfully from the full spectrum of investment opportunities out there.

The composition of equity markets differs across geography. Below are the sector weights of various Morningstar equity indexes, several of which overlap. The U.S. stands out for its hefty technology stake and its low materials weight. Europe is heavy on financials, industrials, and healthcare. Asia Pacific has a large slug of basic materials and technology stocks, while the U.K. is heavy on consumer defensive and energy stocks. The Japanese market is tilted toward industrials, consumer cyclicals, and technology. In emerging markets, financials and technology are large weights. A U.S.-only portfolio lacks exposure to leading European consumer businesses (luxury goods, food and beverage, and so on), drugmakers, insurers, Japan's innovative manufacturers, miners and banks from Australia and Canada, emerging markets, Indian IT, and China's new economy.

Exhibit 11 Sector Exposures Differ Markedly Across Markets—the U.S., for Example, is Light on Materials and Technology-Heavy

Sectors	Morningstar US Market	Morningstar Global ex-US	Morningstar Developed Europe	Morningstar Asia Pacific	Morningstar UK	Morningstar Japan	Morningstar Emerging Markets
Cyclical							
Basic Materials	2.4	8.1	6.5	7.9	7.7	5.6	9.0
Consumer Cyclical	10.7	11.1	10.6	13.3	7.4	15.7	11.8
Financial Services	12.2	19.2	16.2	18.3	17.2	10.2	22.0
Real Estate	3.0	3.1	1.7	4.3	1.8	4.4	2.2
Sensitive							
Communication Services	8.1	5.5	4.0	6.9	3.7	6.1	8.7
Energy	4.2	5.2	5.3	3.0	11.7	0.7	4.7
Industrials	8.7	14.9	16.2	14.1	12.6	24.8	9.0
Technology	28.3	12.0	8.0	17.5	1.5	15.6	19.3
Defensive							
Consumer Defensive	6.4	8.2	11.9	5.8	17.7	6.5	6.0
Healthcare	13.5	9.5	15.2	6.8	13.1	9.1	4.3
Utilities	2.6	3.1	3.9	2.1	4.1	1.3	3.0

Source: Morningstar Direct. Year to date data as of May 31, 2023.

Drilling down to the security-level, leading global franchises can be found across the world. Dominant franchises—companies with economic moats or competitive advantages in the view of Morningstar's global team of equity analysts—are abundant outside the U.S. Many of these companies earn substantial revenues from the U.S. market. So, while it's true that U.S. investors can obtain global exposure by investing in U.S. multinationals, they may also neglect dominant players in the U.S. market if their portfolios are exclusively domestic.

The list below is a small subset of wide-moat ex-U.S. companies that traded at discounts to their long-term intrinsic values, as of May 31, 2023. The 20 stocks are listed in no particular order.

Exhibit 12 Great Companies at Compelling Prices Can Be Found Around the World

Company	Country	Sector
GSK	U.K.	Healthcare
Royal Bank of Canada	Canada	Financial Services
Kao	Japan	Consumer Defensive
ANZ	Australia	Financial Services
Barry Callebaut	Switzerland	Consumer Defensive
Toronto Dominion Bank	Canada	Financial Services
Taiwan Semiconductor	Taiwan	Technology
Safran	France	Industrials
Imperial Brands	U.K.	Consumer Defensive
ASML	Netherlands	Technology
GEA	Germany	Industrials
Tencent	China	Communication Services
Nabtesco	Japan	Industrials
Ambev	Brazil	Consumer Defensive
Elekta	Sweden	Healthcare
Chr. Hansen Holding	Denmark	Basic Materials
Airbus	Netherlands	Industrials
Westpac	Australiia	Financial Services
Yum China	China	Consumer Cyclical
Roche	Switzerland	Healthcare

Source: Morningstar Direct. Morningstar Global Markets Index Constituents. Data as of May 31, 2023.

Are Sunnier Days Ahead for Equities Outside the U.S.?

After years of U.S. market dominance, many investors have forgotten the benefits of global exposure. But markets are cyclical, currencies fluctuate, and valuation differentials can create opportunity. It may be hard to imagine today, but it's worth remembering that from 2003 to 2007, stocks outside the U.S. outperformed by a wide margin, with emerging markets leading the charge.

When the financial crisis hit in 2007, with the U.S. as its epicenter, it was by no means obvious that U.S. equities would dominate the subsequent 15 years. The U.S. was said to be entering a "new normal" of low growth, a "secular stagnation." Emerging-markets strength looked inevitable—a "rise of the rest." In 2011, the U.S. sovereign credit rating was downgraded.

The U.S. may continue to dominate global equity markets, but even the possibility of a shift toward other geographies is reason enough for investors to examine their allocations. Then there's the long-term strategic rationale for global exposure. Even if diversification benefits aren't the strongest, exposure to the broadest possible investment opportunity set makes sense.

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MOVEit cyberattack ignites worry about fiduciary responsibility

MARGARIDA CORREIA

Retirement plan sponsors may be vulnerable to lawsuits if found negligent in monitoring service providers.

If there's one big takeaway for plan sponsors following the massive MOVEit cyberattack that breached the personal data of millions of participants in public pension and private-sector workplace retirement plans, it's this: They may need to rewrite their vendor contracts and redouble their monitoring of service providers.

While no sponsors have yet been sued, it's not far-fetched to think that they could be, according to legal experts.

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"I'm just waiting for a court to start looking at what did the plan sponsor do in order to determine whether there were adequate safeguards in place," said Carol Buckmann, founding partner at Cohen & Buckmann PC in New York.

Plan sponsors could also be audited by the Department of Labor, though it's more likely that their vendors will come under scrutiny instead, said a top Department of Labor official.

In situations like the latest MOVEit hack, the DOL's Employee Benefits Security Administration "often would look at the service provider and understand what they were doing," said Ali Khawar, EBSA's principal deputy assistant secretary, in an interview.

However, plan sponsors would not be entirely off the hook.

"There may be plan-level investigations that flow from that," Mr. Khawar said, referring to potential vendor audits. "There may be individual plans where we're kind of looking at it to better understand what's happening to all of the plan clients."

The cyber thieves, identified as Russian ransomware gang Clop, attacked thousands of organizations globally — not just companies serving pension and retirement plans — by exploiting vulnerabilities in the MOVEit file transfer application used by Pension Benefit Information LLC and other vendors to securely transfer encrypted files.

PBI is widely used by retirement plan record keepers and others in the industry to provide end-to-end encryption services and conduct death audits to identify deceased participants. The company declined to comment beyond a statement on its website saying it was among many other entities impacted by the cyberattack.

To date, the breach impacted public pensions systems in at least 10 states, including the $465.7 billion California Public Employees' Retirement System, Sacramento, and the $309.3 billion California State Teachers' Retirement System, West Sacramento, affecting almost 1.2 million participants and beneficiaries; retirement plans in Tennessee, Rhode Island, Virginia and others. Several record keepers were also affected by the hack, including Fidelity Investments, Teachers Insurance and Annuity Association of America, and Corebridge Financial, formerly AIG Life & Retirement.

So far, at least 3.8 million participants in public pension and private-sector retirement plans are known to have been affected.

The breach at Fidelity via its vendor PBI leaked data on more than 370,000 participants in Fidelity record-kept retirement plans, according to a notification on the website of Maine's attorney general office.

A spokesman for Fidelity confirmed that a "limited number of plan sponsors" had been affected and emphasized that Fidelity's systems had not been breached.

"We are not aware of any identity theft issues and continue to monitor the situation," the spokesman said in an email.

Corebridge Financial also confirmed that one of its vendors, which it did not disclose, had been affected by the MOVEit file transfer vulnerability.

The record keeper declined to say how many plan sponsors and participants were affected.

"We are actively working with the vendor to investigate the scope and nature of customer data that was impacted. This is being done in coordination with leading forensic investigators engaged by the vendor," a notice on Corebridge's website said.

TIAA also confirmed that it had been impacted through its vendor PBI but declined to disclose the number of plan sponsors that were hit. The Maine notification, however, reported that more than 2.3 million TIAA customers were affected.

TIAA was sued in federal court in New York by a former teacher claiming the firm failed to protect her personal data in the cyberattack.

"We are in contact with impacted institutional clients. Through PBI, any affected individuals will be offered free credit monitoring for two years at no cost to them," a TIAA spokesperson said in an email.

TD Ameritrade Holding Corp., now owned by Charles Schwab Corp., was also hurt by the MOVEit breach, although less than 0.5% of its brokerage clients had their data leaked, according to a Schwab spokeswoman. None of Schwab's retirement plans were affected, she said.

Top 10 breach

While the full scale and severity of the breach have yet to be determined, many observers characterize it as significant — but not materially worse — than other breaches involving personally identifiable information.

Jay Gepfert, managing partner at cyber assessment firm DOL Cybersecurity LLC in Norwalk, Conn., sees the breach as being in the top 10 because the number of people affected crossed the significant 1 million mark.

"That's like a billion-dollar lottery ticket," he said, alluding to the fact that most people only pay attention to the lottery when it reaches $1 billion.

Regulators are paying attention.

The DOL's Mr. Khawar says the agency has expectations of plan sponsors and their vendors as spelled out in guidance it released in 2021.

The DOL is interested in finding out what questions plan sponsors were asking their service providers and what process they went through to hire them, Mr. Khawar said.

"To the extent they weren't evaluating the cybersecurity posture of a service provider when they were making that hiring decision, that would be something I think we would be concerned about," he said.

Even though the breach occurred at the subcontractor level, in this case PBI and the MOVEit file transfer provider Progress Software, some lawyers believe that plan sponsors could be liable.

Legal experts argue that the DOL made clear in its guidance in 2021 that it is the plan sponsor's fiduciary duty to assess its service providers.

"To the extent that vendors have personal data or have access to the accounts that maintain that data for participants or beneficiaries in the plans, you have to have an understanding of what their cybersecurity is," said Joseph Lazzarotti, a principal in the Berkeley Heights, N.J., office of Jackson Lewis PC.

Mr. Lazzarotti said that the layers of vendor relationships make it difficult to assess how far plan sponsors need to go to vet the vendors they choose. If the sponsor selects a record keeper that then hires another vendor to subcontract some of the work, "where does the plan sponsor's duty end?" he asked.

"It's an interesting question. I don't know where the answer lies, but it does raise questions," Mr. Lazzarotti said.

For Ms. Buckmann, there's little doubt in her mind that plan sponsors can be liable, even if the breach occurred deep down in the vendor chain.

If it's an ERISA plan, sponsors can be sued on the grounds that they breached their fiduciary responsibilities in not properly monitoring service providers and investigating their practices before they were hired, Ms. Buckmann said.

"It's not a slam-dunk win," she said. "It may be an uphill battle in court, but I think there's a basis in the law for taking that position and trying to litigate it."

To mitigate a plan sponsor's risk of getting sued, Ms. Buckmann includes a provision in all service contracts that she negotiates for plan sponsors with vendors. The provision says that while the vendor is free to use subcontractors, it is responsible for the work of that subcontractor as if it were part of the vendor's workforce.

As made explicit in the provision, subcontractors are considered direct employees, which means that the service provider's indemnification obligations for negligence apply to the work that's done by subcontractors too, Ms. Buckmann said.

Some legal experts, however, don't think plan sponsors should be concerned about being legally liable for a hack that no one could have expected.

David Levine, principal at Groom Law Group in Washington, argued that because PBI is a well-known, widely used business in the retirement industry, it's hard to attribute blame to plan sponsors, which he said are already vigilant and asking lots of security questions as part of the contracting process.

"I would expect as part of the different levels of diligence that their vendors do matching market practice, I think it's hard to say that they're liable," Mr. Levine said. "It's a hard argument to make."

Mr. Levine's thinking echoes Mr. Khawar's general views about the cyberattack.

"It doesn't follow from my perspective that a cybersecurity breach means that there was absolutely a fiduciary violation," Mr. Khawar said, adding that there is "no such thing as a foolproof system."

Nevertheless, in Mr. Khawar's view, there are two possible scenarios that need to be weighed when assessing plan sponsor liability.

A plan sponsor that did everything it could to prevent breaches from happening is very different from the plan sponsor or vendor that "casually emails," say, a notepad document filled will Social Security numbers instead of sending it through a secure file transfer system.

"That's not really the same thing as an entity that has all their data encrypted," Mr. Khawar said.

Source URL: ***https://www.pionline.com/pension-funds/moveit-cyberattack-ignites-worry-about-retirement-plan-fiduciary-responsibility***
